Metals USA Holdings Corp.
Form S-1
May 19, 2008
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As filed with the Securities and Exchange Commission on May 19, 2008

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

METALS USA HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Delaware	**5051**	**20-3779274**
(State or other jurisdiction of incorporation or organization)	*(Primary Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

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)

John A. Hageman

Senior Vice President and Chief Legal Officer

One Riverway, Suite 1100

Houston, Texas 77056

(713) 965-0990

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Andrew J. Nussbaum

Wachtell, Lipton, Rosen & Katz

51 West 52nd Street

New York, New York 10019

(212) 403-1000

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, 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, please 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(c) 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. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee(2)(3)**
Common Stock, $0.01 par value	$200,000,000	$7,860

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended, at a rate equal to $39.30 per $1,000,000 of the proposed maximum aggregate offering price.
(2) Includes shares of common stock which may be purchased by the underwriters to cover over-allotments, if any.

(3) The registrant previously paid a registration fee of $21,400.00 with a registration statement on Form S-1, File No. 333-134533, initially filed on May 26, 2006. Pursuant to Rule 457(p) of the Securities Act, $7,860 of the previously paid registration fee is offset against the registration fee otherwise due for this registration statement.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant 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 of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the U.S. Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated May 19, 2008.

PROSPECTUS

Shares

Metals USA Holdings Corp.

Common Stock

This is an initial public offering of shares of common stock, par value $0.01 per share, of Metals USA Holdings Corp. We are offering shares of common stock, and the selling stockholders identified in this prospectus are offering shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

No later than 60 days following our receipt of the proceeds of this offering, we will make an offer to all holders of our senior floating rate toggle notes due 2012, including our affiliates, to repurchase the maximum principal amount of the notes that may be purchased out of the net proceeds of this offering, estimated to be approximately $ million, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of repurchase.

If the net proceeds of this offering are greater than the purchase price of the notes tendered by holders, we will use the balance of the net proceeds, if any, for general corporate purposes. Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between $ and $. We intend to apply to list our common stock on The New York Stock Exchange under the symbol MUX.

The underwriters may purchase up to an additional shares of common stock from us and an additional shares of common stock from the selling stockholders to cover over-allotments, if any. We intend to use the net proceeds from any sales of our common stock sold by us pursuant to the underwriters over-allotment for the uses specified above. If the maximum number of additional shares is purchased from us by the underwriters, the offer to repurchase would be increased by approximately $ million.

Investing in our common stock involves risks. See Risk Factors on page 16.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Metals USA Holdings Corp.	Proceeds to Selling Stockholders
Per Share	$	$	$	$
Total	$	$	$	$

The underwriters expect to deliver the shares against payment in New York, New York on , 2008.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is , 2008.

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You should rely only on the information contained in this prospectus and any free writing prospectus prepared by or on behalf of us or any information 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.

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 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 our common stock, par value $0.01 per share, which we refer to as our common stock, 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, references in this prospectus to (a) Metals USA Holdings, the Company, we, our, and us refer collectively to (1) Metals USA, Inc. and its subsidiaries on a consolidated basis prior to the consummation of the merger of Flag Acquisition Corporation, which we refer to as Flag Acquisition, with and into Metals USA, which we refer to as the Merger (see Organizational Structure Description of the Apollo Transactions), and (2) Metals USA Holdings Corp., which we refer to as Metals USA Holdings, Flag Intermediate Holdings Corporation, which we refer to as Flag Intermediate, Metals USA, Inc. and Metals USA, Inc. s subsidiaries on a consolidated basis after the consummation of the Merger, and (b) Metals USA refers collectively to Metals USA, Inc. and its subsidiaries. Metals USA prior to the Merger is referred to as the Predecessor Company.

Our Company

As one of the largest metal service center businesses in the United States, we are a leading provider of value-added processed carbon steel, stainless steel, aluminum, red metals and manufactured metal components. We are an important intermediary between primary metal producers that generally sell large volumes in limited sizes and configurations and end-users that generally require more services and smaller quantities of customized products. Our metal service center business consists of a Plates and Shapes Group that sold approximately 826 thousand tons of steel plates and structurals in 2007 and a Flat Rolled and Non-Ferrous Group that sold approximately 614 thousand tons of ferrous and non-ferrous flat rolled products in 2007. We sell our products and services to a diverse customer base and range of end markets, including defense, aerospace, marine, oil and gas, fabrication, and commercial construction, among several others, throughout the United States. In our metal service centers we earn a margin over the cost of metal. Management s strategy, manifested through our organic growth initiatives and acquisitions of Port City and Lynch Metals, each as defined below, focuses on maximizing the margin we earn over the cost of metal by offering additional higher value-added processing services and by diversifying our product mix. We believe this strategy, in combination with management s proven ability to manage metal purchasing and inventories to consistently meet our customers high expectations for service and reliability, has underpinned our earnings growth over the last several years.

We operate in three segments: our Plates and Shapes Group, our Flat Rolled and Non-Ferrous Group, and our Building Products Group.

Plates and Shapes Group (48% of 2007 net sales). We believe we are one of the largest distributors of steel plates and structurals in the United States. In 2007, we sold approximately 826 thousand tons of products through 21 metal service centers located primarily in the southern and eastern regions of the United States. Our Plates and Shapes metal service centers are generally equipped to provide additional value-added processing, and a substantial portion of our volume is processed prior to being delivered to the end-user. These processing services include blasting and painting, tee-splitting, cambering, leveling, cutting, sawing, punching, drilling, beveling, surface grinding, bending, shearing and cutting-to-length. We sell our products to a diversified customer base, including a large number of small customers who purchase products in small order sizes. We generally earn additional margin from

our customers by providing services such as product marking, item sequencing, just-in-time delivery and kitting. The customers of our Plates and Shapes Group are primarily in the fabrication, commercial construction, machinery and equipment, land and marine transportation, and energy industries. Because our Plates and Shapes metal service centers are generally strategically located in close proximity to our metal suppliers and our customers, we are able to meet our customers product and service needs reliably and consistently. In May 2006, we completed the acquisition of the Port City Metal Services business, which we refer to as Port City, a higher value-added plate facility located in Tulsa, Oklahoma, which has bolstered our presence in the construction and oil-field services sectors.

Flat Rolled and Non-Ferrous Group (44% of 2007 net sales). Through 13 metal service centers located primarily in the mid-western and southern regions of the United States, the Flat Rolled and Non-Ferrous Group sold approximately 614 thousand tons of products in 2007, including carbon (which we refer to as ferrous) and stainless steel, aluminum, brass and copper (which we refer to as non-ferrous) in a number of alloy grades and sizes. In 2007, we derived approximately 52% and 48% of this division s revenue from ferrous products and non-ferrous products, respectively. Substantially all of the products sold by our Flat Rolled and Non-Ferrous Group undergo value-added processing prior to shipping to our customers. These processing services include precision blanking, slitting, shearing, cutting-to-length, punching and leveling. We sell our Flat Rolled and Non-Ferrous Group s products and services to customers in the electrical manufacturing, fabrication, furniture, appliance manufacturing, machinery and equipment, transportation and aerospace industries. Many of our large customers purchase through pricing arrangements or contractual agreements that specify the margin over the cost of metal and we generally earn additional margin from these customers by providing services such as product marking and labeling, just-in-time delivery and kitting. We are able to provide these services reliably because our metal service centers are generally located in close proximity to our metal suppliers and our customers. In July 2007, we acquired Lynch Metals, Inc. and Lynch Metals of California, Inc., which we refer to as Lynch Metals, a metal service center business that provides higher value-added, specialized aluminum products to customers who are predominantly manufacturers of air/heat transfer products specifically focused on aerospace, industrial and automotive applications.

Building Products Group (8% of 2007 net sales). The Building Products Group manufactures and sells roofing and patio products. Substantially all of our Building Products Group sales are attributable to the residential remodeling market with the remaining sales attributable to commercial applications. We generally sell our products through a network of independent distributors and home improvement contractors. With facilities located throughout the southern and western regions of the United States and Canada, we believe we are one of only a few suppliers with national scale across our product offering.

Industry Overview

Our operations focus on the metal service center industry and the building products industry.

Metal Service Centers. Metal service centers purchase approximately 30% of all steel products consumed in the U.S. and metal service centers play a critical intermediary role between the production mills and the end-users. Over the last several years primary metals producers have consolidated and focused on core competencies and have increasingly required metal 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, and therefore, over 300,000 original equipment manufacturers, which we refer to as OEMs, contractors and fabricators nationwide rely on metal service centers for their primary supply of metal products and services. End-users generally buy metal products and services from metal service centers on a margin over the base cost of metal. In addition, value-added metal service centers, including ours, earn an additional premium margin over the cost of

metal for the value-added processing enhancements they perform on base metal prior to delivering it to the end-user.
OEMs and other end-users have also recognized the economic advantages associated with outsourcing their customized metals processing needs. Outsourcing permits end-users to reduce total production costs by shifting the responsibility of pre-production processing to metal service centers, which are more efficient than end-users at performing these value-added and processing services. In addition, outsourcing these processing services has allowed OEMs and end-users to reduce inventories and focus on driving value from additional inventory management measures. As such, customers increasingly demand inventory management and just-in-time delivery services from large value-added metal service centers, who can more efficiently provide these services. These supply-chain services, which are not normally 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. We believe that growth opportunities for metal service centers will continue to expand as both primary metals producers and end-users increasingly seek to have their metals processing and inventory management requirements met by value-added metal service centers. We believe larger and financially flexible companies, like ours, enjoy significant advantages over smaller companies in areas such as obtaining higher discounts associated with volume purchases, servicing customers with operations in multiple locations, offering a broader range of products and using more sophisticated information systems.

The steel industry, among several other metals industries, is global in nature and is currently undergoing a paradigm shift that we believe will result in significant and substantial profitability for both producers and metal service centers. Since this shift began over six years ago, the steel production and distribution industries have experienced unprecedented revenue and profit expansion as global demand for steel has grown at an extraordinary pace driven largely by industrial development in China, Brazil, Russia and India and to some extent Western economies. Global demand for steel has grown at approximately 9% annually over the last five years and according to the International Iron and Steel Institute, steel use is expected to increase approximately 7% from 2007 to 2008. Projections for 2009 suggest a global growth rate of approximately 6% from 2008. For several years prior to the recent surge in steel demand, steel producers and raw material suppliers had not invested enough capital in expanding raw material capacity. Now, demand growth for steel is expected to outpace the ability for steel producers and raw material suppliers to meet this demand, which has driven the price of the core raw materials, such as iron ore, coke and coal, to record highs recently.

Additionally, transportation costs have also increased over the last several years, and energy is becoming more expensive globally. All of these factors have caused the steel production cost curve to increase substantially. Foreign mills, which pay many of their operating costs in local currencies, have been affected more than U.S. mills as the U.S. dollar has weakened because steel is priced globally in U.S. dollars. However, as the U.S. dollar has weakened, U.S. mills have become some of the world s lowest cost producers, encouraging them to export production for the first time in more than fifteen years. Finally, adding raw material capacity has now become significantly more expensive relative to historic levels. As a result, higher raw material and steel prices will be required to yield acceptable returns on these capital investments. Given the tight market for steel worldwide and especially in the United States, where steel consumption exceeds domestic production, the structural increase in the cost to produce steel, and the increasingly costly expansion projects, we anticipate there will be a growing interest from both domestic mills and foreign producers to purchase metal service centers in order to acquire better visibility of domestic consumer demand and base-load their relatively high fixed-cost production assets. Considering all of these factors together, we believe the industry has undergone and continues to undergo a dynamic paradigm shift that will result in significant and sustained improvements in the financial health and prosperity of North American industry participants.

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Building Products. The residential remodeling industry is currently in a state of transition as recent mortgage market turmoil and weak consumer confidence have been reflected in a general decline in the purchase of home remodeling goods and services. However, we believe that factors including rising disposable incomes, increased rates of home ownership, a low interest rate environment and aging American houses have generated significant pent-up demand for remodeling that will manifest itself when the housing sector rebounds. We believe that these factors support a strong long-term outlook for residential remodeling as a cost-effective alternative to new housing construction.

Our Competitive Strengths

Premium Margins Over Metal. Metal service centers generally earn a margin over the cost of metal, which provides stability to metal service centers cash flows relative to metal producers through pricing cycles. In addition, by performing certain value added processing to metal before it is shipped to the customer as well as providing inventory management services, we earn a premium margin over the cost of metal. We also sell an enhanced product mix across our metal service center business by supplementing our core carbon offerings with non-ferrous volumes. Non-ferrous volumes are generally higher margin and more stable through economic cycles. Over the last several years, we have invested in our facilities and completed acquisitions to equip our metal service centers with the ability to continue earning premium margins going forward.

Platform for Strong Growth. Over the last several years we spent approximately $122.4 million in growth initiatives including $38.5 million to grow our business organically and $83.9 million of acquisitions. Our growth initiatives have focused on increasing our mix of higher-margin products and services, such as value-added processing, inventory management services and non-ferrous volumes. Our largest recent organic growth project was a $17.5 million investment in our Plates and Shapes metal service center in Waggaman, Louisiana to capitalize upon the strong marine industry in the gulf coast region. This investment equipped this facility with the ability to provide value-added processing, such as blast, paint, laser and plasma cutting and press brake services. In late 2005, we established and trained a dedicated acquisitions team that is responsible for identifying, evaluating, executing, integrating and monitoring acquisitions. This team has completed two strategic acquisitions for our metal service center business: (1) Port City in our Plates and Shapes Group that increased our plate processing capabilities to customers serving the oil field, construction equipment and refining industries, and (2) Lynch Metals in our Flat Rolled and Non-Ferrous Group that provides value-added, specialized aluminum products to customers who are predominantly manufacturers of air/heat transfer products specifically focused on aerospace, industrial and automotive applications.

Skilled Inventory Management. Inventory management is critical to metal service centers ability to balance investment in working capital, pass on the cost of metal to the customer and meet customer needs often on a just-in-time basis. The Company s purchasing practices follow an inventory management framework set on a weekly basis under the guidance of our Chief Executive Officer. Within this framework, inventory and processing services are tailored to the needs of each metal service center s particular customers. We believe our system of inventory management and our capital structure flexibility have allowed us to react to changing metals prices and customer needs, oftentimes more quickly than most of our competitors. Our information technology systems allow us to share inventory among our facilities, which helps us to maximize returns and satisfy our customers. In addition, our inventory management framework has supported our ability to generate significant earnings during rising metal price environments and generate significant free cash flow in declining metal price environments.

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***Strong Relationships with Key Suppliers*.** We are one of the largest domestic purchasers of steel, and 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 historically have been able to obtain ample access to feedstock in periods of tight supply. Access to feedstock during these periods enhances our standing relative to our competitors with end-users. Our relationships with our metal suppliers also help us to optimize our inventory management.

***Diversified Customer Base, Products and End-Markets*.** Our business supplies a broad range of products to a large and diversified customer base (over 17,400 customers in 2007) in a wide variety of end-markets and industries. However, we have sought to enhance our position in stable growth industries that demand higher value-added services and reduce our exposure to more cyclical sectors. As a result of our organic growth projects and acquisitions, we have capitalized on growth opportunities with products such as aluminum brazing sheet, armor plate, marine grade aluminum plate, and pressure vessel plate to service the aerospace, marine, defense, and oil and gas industries. Our broad range of high-quality products and customized value-added services offered throughout our metal service centers allow us to offer one-stop shopping to our customers. We believe one-stop shopping provides a significant competitive advantage over smaller metal service centers, which generally stock fewer products than we do.

***Experienced and Proven Management Team*.** Our senior management team has over 20 years on average of metals industry experience and is supported by considerable management talent, including our division presidents and facility operators. Our President, Chief Executive Officer and Chairman, C. Lourenço Gonçalves, has over 25 years of experience in the metals industry, including his terms as Chief Executive Officer of California Steel Industries (the largest U.S. steel slab re-roller, which we refer to as CSI), which had many of the same value chain dynamics as a metal service center, and as managing director, among other positions, of Companhia Siderúrgica Nacional (which we refer to as CSN). Under his leadership since 2003, we have executed a strategy that has significantly improved our cash flow stability, earnings growth, and competitiveness within the industry.

Our Strategy

***Expand Value-Added Services*.** We intend to continue expanding our value-added services, which enhance our relationships with existing customers and help us build new customer relationships. Customers increasingly demand and are willing to pay a premium margin for additional value-added services to facilitate more efficient inventory management and reduce total production costs. Demand for these services generally remains strong through most economic cycles. We intend to continue to identify and invest in capital projects that provide attractive returns to fulfill this growing demand. We believe that our operating expertise, organizational structure, high-quality facilities, size, and our low cost and flexible capital structure enable us to reliably provide a full range of value-added services to our customers relative to our competitors, particularly smaller metal service centers.

***Increase Sales of Higher Margin Products and Services*.** The sale of higher margin products and services, which tend to have higher growth prospects and are more stable, will continue to be one of our core strategies. We intend to continue executing on this strategy by increasing our non-ferrous volumes and our sales of processed products. Focusing on this strategy historically has increased our margins, stabilized our earnings, and optimized our investment in working capital, and we expect this strategy will continue benefiting us in these areas. We anticipate that we will continue investing in and acquiring companies to maintain and expand our state-of-the-art processing facilities, which will enable us to fulfill a greater proportion of our customers processing requirements relative to our competitors.

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Execute Strategic Acquisitions to Improve Our Business. The North American metal service center industry is highly fragmented, which we believe provides us with opportunities to execute our core strategies through highly synergistic bolt-on acquisitions. We completed two acquisitions, Port City for our Plates and Shapes Group and Lynch Metals for our Flat-Rolled and Non-Ferrous Group, both of which have benefited us financially, operationally and strategically. The combination of our successful track record of acquiring and integrating acquisitions and our internal acquisition team s strong industry relationships has yielded proprietary deal flow for us and has helped us maintain an active pipeline of opportunities. We intend to maintain our disciplined acquisition strategy, and we will generally target one to two bolt-on acquisitions per year that will enhance our metal service center strategy.

Maintain and Strengthen Our Strong Relationships with Suppliers and Customers. As one of the largest metal service center businesses in the United States, we intend to use our relationships to leverage the opportunities presented by the consolidation of steel producers and the changing needs of our customers. Steel producers continue to seek long-term relationships with metal service centers that have access to numerous customers, while customers are seeking relationships with metal service centers that can provide a reliable source of high-quality products combined with value-added services.

Continue 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 demands. 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 to further improve our just-in-time delivery and customer service. Constant evaluation of our inventory management will allow us to continue supplying our customers reliably, even during periods of tight metal supply. We expect our inventory management framework will continue generating strong earnings during periods of rising metal prices and strong cash flow during periods of declining metal prices.

Maintain High Free Cash Flow Generation and Conversion. Senior management has implemented a focused strategy designed to maximize our profitability and cash flow. We believe that we are a reliable supplier, especially of higher margin products and services, to our customers even in periods of tight supply. We believe that our reliability allows us to generate higher margins and more stable operating income through the business cycle. Moreover, we believe our inventory framework bolstered by our strong relationships with our metals suppliers will stabilize earnings during periods of weakness. Our core business also requires minimal maintenance capital investment. We believe these strengths taken together underscore our ability to generate high levels of free cash flow. We believe that our free cash flow will enable us to reinvest in our business and to achieve other corporate and financial objectives.

Risk Factors

An investment in our common stock involves substantial risks and uncertainties. Metals USA Holdings is a holding company and does not have any material assets or operations other than ownership of the capital stock of Flag Intermediate, a Delaware corporation which is a wholly-owned subsidiary of Metals USA Holdings. Flag Intermediate is also a holding company and does not have any material assets or operations other than ownership of the capital stock of Metals USA. Some of the more significant challenges and risks include:

- those associated with our susceptibility to conditions in the U.S. economy;
- our ability to pass through increases in our costs to our customers;
- the cost of energy and raw materials;

- our substantial indebtedness;
- our acquisition strategy; and
- the highly competitive nature of the industry in which we operate.

See Risk Factors for a discussion of the factors you should consider before investing in our common stock.

Principal Stockholders

Our principal stockholders are investment funds affiliated with Apollo Management, L.P., including Apollo Management V, L.P., which we refer to as Apollo Management, and together with its affiliated investment funds, which we refer to as Apollo. Founded in 1990, Apollo is a leading private equity and capital markets investor with 18 years of experience investing across the capital structure of leveraged companies. The firm employs more than 175 professionals and has offices in New York, Los Angeles, London, Frankfurt, Paris and Singapore. Apollo currently manages over $40 billion of capital across a wide variety of industries both domestically and internationally. Companies owned or controlled by Apollo Management, L.P. or in which Apollo Management, L.P. or its affiliates have a significant equity investment include, among others, Rexnord Holdings, Inc., CEVA Logistics, Verso Paper Holdings LLC, Momentive Performance Materials Inc., Hexion Specialty Chemicals, Inc., Affinion Group Holdings, Inc. and Noranda Aluminum Holding Corporation.

Metals USA Holdings

Metals USA Holdings was incorporated in Delaware on May 9, 2005. The principal executive offices of Metals USA Holdings 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 will 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.**

Metals USA, Inc. was incorporated in Delaware on July 3, 1996, and began operations upon completion of an initial public offering on July 11, 1997. Metals USA Holdings acquired Metals USA on November 30, 2005 in connection with the Merger. See Organizational Structure Description of the Apollo Transactions.

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The Offering

Common stock offered by us	shares
Common stock offered by the selling stockholders	shares
Underwriters over-allotment option to purchase additional common stock from us and the selling stockholders	Up to shares
Shares of our common stock to be outstanding immediately following this offering	shares (including shares that will be sold to the underwriters if they exercise their over-allotment option in full)
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately $ million after deducting the estimated underwriting discounts and commissions and expenses, assuming the shares are offered at $ per share, which represents the midpoint of the range set forth on the cover page of this prospectus.

As described in Use of Proceeds, no later than 60 days following our receipt of the proceeds of this offering, we will make an offer to all holders of our senior floating rate toggle notes due 2012, which we refer to as the 2007 Notes, to repurchase the maximum principal amount of the 2007 Notes, of which $300.0 million aggregate principal amount were outstanding as of March 31, 2008, that may be purchased out of the net proceeds of this offering, estimated to be approximately $ million, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of repurchase.

Our affiliates, including Apollo, that are holders of the 2007 Notes may participate in the repurchase offer. See Certain Relationships and Related Party Transactions Related Party Transactions Repurchase Offer.

If the net proceeds of this offering are greater than the purchase price of the 2007 Notes tendered in the repurchase offer, we will use the balance of the net proceeds, if any, for general corporate purposes, including working capital, the expansion of our production capabilities, research and development, purchases of capital equipment and potential acquisitions of businesses.

We intend to use the net proceeds from any sales of our common stock sold pursuant to the underwriters over-allotment for the uses specified above. If the maximum number of additional shares is purchased from us by the underwriters, the offer to repurchase would be increased by approximately $ million. We will not receive any of the proceeds from the sale of our common stock by the selling

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stockholders, including with respect to any shares sold by the selling stockholders pursuant to the underwriters exercise of their option to purchase additional shares. For sensitivity analyses as to the offering price and other information, see Use of Proceeds.

This prospectus is not an offer to purchase, a solicitation of an offer to purchase or a solicitation of a consent with respect to our 2007 Notes.

Dividends	We do not currently anticipate paying any dividends on our common stock in the foreseeable future. See Dividend Policy.
Listing	We intend to apply to list our common stock on The New York Stock Exchange under the trading symbol MUX.

Other Information About This Prospectus

Except as otherwise indicated, all information in this prospectus:

- assumes no exercise of the underwriters over-allotment option;
- does not give effect to shares of our common stock issuable upon the exercise of outstanding options as of , 2008; and
- does not give effect to shares of common stock reserved for future issuance under our Amended and Restated 2005 Stock Incentive Plan, which we refer to as the 2005 Plan, and any future issuance under the incentive plan we may adopt prior to this offering.

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SUMMARY HISTORICAL CONSOLIDATED AND COMBINED FINANCIAL DATA

Set forth below is summary historical consolidated and combined financial data of our business, as of the dates and for the periods indicated. The summary historical consolidated financial data for the period from January 1, 2005 to November 30, 2005 for the Predecessor Company discussed below, and for the period from May 9, 2005 (date of inception) to December 31, 2005 and as of December 31, 2006 and 2007 and for the years ended December 31, 2006 and 2007, respectively, for the Successor Company (as defined below) 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 selected historical financial data as of December 31, 2005 for the Successor Company has been derived from the Successor Company s audited consolidated financial statements not included in this prospectus.

The summary historical consolidated financial data as of March 31, 2008 and for the three months ended March 31, 2007 and 2008 have been derived from our unaudited condensed consolidated financial statements which are included elsewhere in this prospectus. The March 31, 2007 and 2008 unaudited financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments that 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.

After the consummation of the Apollo Transactions (as defined below), Metals USA Holdings, along with its consolidated subsidiaries, is 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 (SFAS) No. 141, Business Combinations, which we refer to as 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. In addition, we have completed a number of acquisitions that may affect comparability of our financial results.

As a result of purchase accounting for the Apollo Transactions, 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) was 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. For the year ended December 31, 2006, the Successor Company s operating costs and expenses increased by $23.9 million ($10.8 million for cost of sales and $13.1 million of additional depreciation and amortization) as the inventory was sold and additional depreciation and amortization was recorded.

The Apollo Transactions collectively refers to:

- the Merger;

- Flag Acquisition s issuance of $275.0 million aggregate principal amount of its 11 1/8% senior secured notes due 2015 pursuant to a private placement, which Metals USA assumed pursuant to the Merger. In September 2006, Metals USA exchanged $275.0 million aggregate principal amount of the 11 1/8% senior secured notes due 2015 that were registered under the Securities Act of 1933, as amended, which we refer to as the Securities Act, for an equal principal amount of the senior notes issued in

connection with the Merger. In this prospectus, we refer to both the notes issued in connection with the Merger and the notes that were registered under the exchange offer as the Metals USA Notes ;

the borrowings under the ABL facility entered into by Metals USA in connection with the Merger, which we refer to as the ABL facility, on the date of the Merger;

the contribution by Apollo and certain members of management of Metals USA of $140.0 million to Metals USA Holdings, in exchange for common stock of Metals USA Holdings at the effective time of the Merger; and

the other related transactions.

For a more complete description of the Apollo Transactions and the terms of the indebtedness incurred in connection therewith, see Organizational Structure Ownership and Corporate Structure, Organizational Structure Description of the Apollo Transactions and Description of Certain Indebtedness.

The summary historical consolidated and combined financial data should be read in conjunction with the information about the limitations on comparability of our financial results, including as a result of acquisitions. See 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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	Historical					
	Predecessor Company	Successor Company				
	Period from January 1 to November 30, 2005	Period from May 9 (Date of Inception) to December 31, 2005	Years Ended December 31, 2006	Years Ended December 31, 2007	Three Months Ended March 31, 2007	Three Months Ended March 31, 2008
	(in millions, except per share data)					
Net sales	$ 1,522.1	$ 116.9	$ 1,802.9	$ 1,845.3	$ 462.6	$ 489.0
Operating costs and expenses:						
Cost of sales (exclusive of operating and delivery, and depreciation and amortization shown below)	1,189.3	92.5	1,371.8	1,418.8	356.1	376.6
Operating and delivery	139.1	12.8	175.5	178.4	45.2	46.5
Selling, general and administrative	108.5	9.3	115.2	112.4	30.4	29.2
Depreciation and amortization(1)	3.1	1.4	21.4	22.1	5.2	5.5
Impairment of property and equipment				0.2	0.2	
Operating income (loss)	82.1	0.9	119.0	113.4	25.5	31.2
Other (income) expense:						
Interest expense	12.0	4.1	54.6	87.0	19.4	25.1
Loss on debt extinguishment				8.4		
Other (income) expense	(0.1)		(0.7)	(0.7)	(0.1)	(0.1)
Income (loss) before income taxes	70.2	(3.2)	65.1	18.7	6.2	6.2
Provision (benefit) for income taxes	26.7	(1.2)	25.8	4.8	2.4	2.4
Net income (loss)	$ 43.5	$ (2.0)	$ 39.3	$ 13.9	$ 3.8	$ 3.8
Income (loss) per share:						
Income (loss) per share basic	$ 2.14	$ (0.14)	$ 2.80	$ 0.99	$ 0.27	$ 0.27
Income (loss) per share diluted	$ 2.05	$ (0.14)	$ 2.79	$ 0.96	$ 0.26	$ 0.26
Number of common shares used in the per share calculations:						
Basic	20.3	14.0	14.1	14.1	14.1	14.1
Diluted	21.2	14.0	14.1	14.4	14.4	14.6
Cash flow data:						
Cash flows provided by (used in) operating activities	$ 170.1	$ 7.3	$ (45.7)	$ 119.2	$ 8.0	$ (40.8)
Cash flows provided by (used in) investing activities	(15.8)	(434.5)	(61.0)	(58.5)	(5.4)	(2.7)
Cash flows provided by (used in) financing activities	(120.7)	438.5	251.2	(202.9)	(146.0)	52.4
Other operating data:						
Shipments (in thousands of tons)	1,332	107	1,505	1,429	377	386
Capital expenditures	$ 15.9	$ 4.4	$ 16.9	$ 21.5	$ 5.5	$ 2.8
Other financial data:						
EBITDA(2)	$ 85.6	$ 2.4	$ 141.6	$ 137.1	$ 31.0	$ 37.8
Adjusted EBITDA(2)	$ 101.6	$ 7.0	$ 156.2	$ 146.1	$ 34.7	$ 40.3
Fixed charge coverage ratio(2)	N/A	N/A	1.51	1.31	1.24	1.52

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	Historical				Pro Forma
	Successor Company				
	As of December 31,			As of March 31,	As of March 31,
	2005	2006	2007	2008	2008(3)
	(in millions)				
Balance sheet data:					
Cash	$ 11.3	$ 155.8	$ 13.6	$ 22.5	$
Total assets	795.3	1,127.0	959.0	1,042.6	
Total debt	473.5	755.4	857.3	910.4	
Total liabilities	662.9	979.4	1,084.6	1,159.0	
Stockholders equity (deficit)	132.4	147.6	(125.6)	(116.4)	

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

(2) Certain covenants contained in the loan and security agreement governing our ABL facility and the indentures governing the Metals USA Notes and the 2007 Notes restrict our ability to take certain actions, such as incurring additional debt and making acquisitions or paying dividends, if we are unable to meet defined fixed charge coverage ratios, which we refer to as FCCR, calculated with reference to adjusted EBITDA (as defined in the loan and security agreement and the indentures). Although we do not expect to violate any of the provisions in the agreements governing our outstanding indebtedness, these covenants can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. See Risk Factors Risks Related to Our Business Our substantial leverage exposes us to interest rate risk and 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 our indebtedness.

Adjusted EBITDA (as defined by the loan and security agreement governing the ABL facility and the indentures governing the Metals USA Notes and the 2007 Notes, which we refer to as adjusted EBITDA) is defined as EBITDA (net income (loss) before interest, income taxes, depreciation and amortization) further adjusted to exclude certain non-cash, non-recurring and realized (or in case of the indentures, expected) future cost savings directly related to prior acquisitions. EBITDA, adjusted EBITDA and fixed charges are not defined terms under generally accepted accounting principles in the United States, which we refer to as GAAP. Neither EBITDA nor adjusted EBITDA should be considered an alternative to operating income or net income as a measure of operating results or an alternative to cash flows as a measure of liquidity. Fixed charges should not be considered an alternative to interest expense. Because we are highly leveraged, we believe that the inclusion of supplementary adjustments to EBITDA applied in presenting adjusted EBITDA are appropriate to provide additional information to investors to demonstrate compliance with the covenants in our debt agreements. 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 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

- income 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.

Under the ABL facility, the FCCR is determined on a rolling four-quarter period, often referred to as a last-twelve month, or LTM, period by dividing (1) the sum of adjusted EBITDA (as defined in the loan and security agreement governing the ABL facility) of Metals USA minus income taxes paid in cash minus non-financed capital expenditures by (2) the sum of certain distributions paid in cash, cash interest expense

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and scheduled principal reductions on debt paid by Metals USA. The interest rate in respect of borrowings under the ABL facility is determined in reference to the FCCR, and should borrowing availability under the ABL facility fall below $45.0 million, we must maintain an FCCR of at least 1.0 to 1.0, measured on a trailing four-quarter basis. As of March 31, 2008, our borrowing availability under the ABL facility was $135.9 million. In addition, the FCCR also is an important measure of our liquidity and affects our ability to take certain actions, including paying dividends to stockholders and making acquisitions.

Although the indentures governing the Metals USA Notes and the 2007 Notes also contain covenants that restrict our ability to incur indebtedness and pay dividends based on our FCCR, the definition and application of the FCCR contained in the indentures differ from the definition and application of the FCCR in the ABL facility in that the numerator of the FCCR as defined in the indentures does not include cash income taxes or non-financed capital expenditures and the denominator of the FCCR as defined in the indentures does not include the sum of certain distributions paid in cash and scheduled principal reductions on debt, and separate FCCRs are required under certain circumstances. See Management s Discussion and Analysis of Financial Condition and Result of Operations Financing Activities.

The FCCR 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.

Assuming an initial public offering price of $ per share, which represents the midpoint of the range set forth on the cover page of this prospectus, and the subsequent purchase of the maximum principal amount of the 2007 Notes out of the net proceeds of this offering (assuming the exercise of the underwriters over-allotment option in full), the FCCR under our ABL facility on a pro forma basis for the year ended December 31, 2007 and the twelve months ended March 31, 2008 would have been and , respectively.

(3) The pro forma combined balance sheet data reflects the balance sheet data as of March 31, 2008, adjusted for this offering and the use of the proceeds assuming the purchase of the maximum principal amount of the 2007 Notes out of the net proceeds from this offering, and assuming an initial public offering price of $ per share. A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would decrease (increase) net total debt by approximately $ million, and increase (decrease) stockholders equity by $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and offering expenses payable by us. For every additional 1,000,000 shares sold by us in this offering, including as a result of the exercise by the underwriters of their option to purchase additional shares from us, stockholders equity would increase by $, assuming an initial public offering price of $ per share and after deducting the estimated underwriting discounts and commissions and offering expenses payable by us.

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

	Historical					
	Predecessor Company	Successor Company				
	Period from January 1 to November 30, 2005	Period from May 9 (Date of Inception) to December 31, 2005	Year Ended December 31, 2006	Year Ended December 31, 2007	Three Months Ended March 31, 2007	Three Months Ended March 31, 2008
	(dollars in millions)					
Net income (loss)	$ 43.5	$ (2.0)	$ 39.3	$ 13.9	$ 3.8	$ 3.8
Depreciation and amortization(a)	3.5	1.5	22.6	23.7	5.5	6.6
Interest expense	12.0	4.1	54.6	87.0	19.4	25.1
Loss on extinguishment of debt				8.4		
Provision (benefit) for income taxes	26.7	(1.2)	25.8	4.8	2.4	2.4
Other (income) expense	(0.1)		(0.7)	(0.7)	(0.1)	(0.1)
EBITDA	85.6	2.4	141.6	137.1	31.0	37.8
Covenant defined adjustments:						
Inventory purchase adjustments(b)		4.1	10.8			
Stock options and grant expense(c)	15.0	0.4	1.2	4.8	3.4	0.3
Write-off prepaid expenses as result of Merger(d)	0.3					
Facilities closure(e)			1.4	0.7		1.9
Severance costs(f)	0.7					
Pension withdrawal liability(g)				2.0		
Management fees(h)		0.1	1.2	1.5	0.3	0.3
Adjusted EBITDA(i)	$ 101.6	$ 7.0	$ 156.2	$ 146.1	$ 34.7	$ 40.3

(a) Includes depreciation for Building Products that is included in cost of sales.

(b) As a result of management s analysis and evaluation of the replacement cost of inventory at the date of the closing of the Apollo 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.

(c) Non-cash stock option and stock grant expense.

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

(e) The amount for 2006 represents charges incurred in connection with the closure of two locations within our metal service center business and three locations within our building products business. The amount for 2007 represents charges in the building products business for the closure of two facilities in the third quarter of 2007 and one in the fourth quarter of 2007. The amount for the three months ended March 31, 2008, represents charges to the building products business for the closure of five locations during such period.

(f) This amount represents severance costs of management personnel that were replaced as part of the Apollo Transactions.

(g) This amount represents accrued expenses incurred in connection with the withdrawal of two of our operating facilities from a multi-employer pension fund.

(h) Includes accrued expenses related to the management agreement we have with Apollo, pursuant to which Apollo provides us with management services. See Certain Relationships and Related Party Transactions Related Party Transactions Apollo Agreements.

(i) As defined by the loan and security agreement governing the ABL facility and the indentures governing the Metals Notes and the 2007 Notes.

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R ISK FACTORS

Investing in our common stock 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 common stock or deciding whether you will or will not participate in this offering. Any of the following risks could materially and adversely affect our business, financial condition, results of operations or cash flows. In such a case, you may lose all or part of your original investment.

Risks Related to Our Business

Our business, financial condition, results of operations and cash flows are heavily affected by changing metal prices.

Metals costs typically represent approximately 75% of our net sales. Metals costs 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. Our metal service centers maintain substantial inventories of metal to accommodate the short lead-times and just-in-time delivery requirements of our customers. Accordingly, using information derived from customers, market conditions, historic usage and industry research, 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. 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, results of operations or cash flows.

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 the 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. 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 and liquidity could be negatively affected during economic downturns because the demand for our products is cyclical.

Many of our products are used in businesses that 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 for our products. 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, results of operations or cash flows. 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. 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, results of operations or cash flows.

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 or a slowdown in the key industries served by our customers. In addition, demand for the products of our Building Products Group has been and is expected to continue to be adversely affected if consumer confidence continues to fall, since the results of 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 and termination of one or more of our relationships with any of them could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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, 2008, the top two metals producers represent a significant portion of our total metal purchasing cost. Termination of our relationship with either of these suppliers could have a material adverse effect on our business, financial condition, results of operations or cash flows if we were unable to obtain metal from other sources in a timely manner.

In addition, the domestic metals production industry experienced consolidation in recent years. As of March 31, 2008, the top three metals producers together controlled over 60% of the production of domestic flat rolled steel. 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, results of operations or cash flows. 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, results of operations or cash flows if we were not able to pass these price increases on to our customers.

Intense competition in our fragmented industry 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 oriented metals processor/metal service centers on a regional and local basis, some of which may have greater financial resources than we have. 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. Because price, particularly in the ferrous Flat Rolled business, is a competitive factor 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, results of operations or cash flows.

Our ability to retain our key employees is critical to the success of our business, and failure to do so may adversely affect our revenues and as a result could materially adversely affect our business, financial condition, results of operations and cash flows.

We are dependent on the services of our Chief Executive Officer and other members of our senior management team to remain competitive in our industry. We may not be able to retain or replace one or more of

these key employees, we may suffer an extended interruption in one or more of their services or we may lose the services of one or more of these key employees entirely. Our current key employees are subject to employment conditions or arrangements that permit the employees to terminate their employment without notice. See Management Management Agreements with Metals USA and Related Stock Option Grants from Metals USA Holdings. Other than a life insurance policy maintained by us on our Chief Executive Officer, for which we are the beneficiary, we do not maintain any life insurance policies for our key employees. If any of our key employees were not able to dedicate adequate time to our business, due to personal or other factors, we lose or suffer an extended interruption in the services of any of our key employees or if any of our key employees were to terminate their employment it could have a material adverse effect on our business, financial condition, results of operations or cash flows. In addition, the market for qualified individuals may be highly competitive and we may not be able to attract and retain qualified personnel to replace or succeed members of our senior management or other key employees, should the need arise.

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, results of operations or cash flows.

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

From time to time, we are involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. These suits concern issues including product liability, contract disputes, employee-related matters and personal injury matters. It is not feasible to predict the outcome of all pending suits and claims, and 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 cash flows 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. Some of the properties we own or lease are located in areas with a history of heavy industrial use, and are near sites listed for clean up under the Comprehensive Environmental Response, Compensation, and Liability Act, which we refer to as CERCLA. See Business Government Regulation and Environmental Matters. CERCLA established joint and several responsibility for clean-up 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, and we are investigating and remediating such known contamination pursuant to applicable environmental laws. The costs of such clean-ups to date have not been material. It is possible that we could be notified of such claims in the future. See Business Government Regulation and Environmental Matters. 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 costs related to such claims.

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

As of March 31, 2008, approximately 276 of our employees (approximately 10%) at various sites were members of unions. We are currently a party to eight collective-bargaining agreements. One expires in mid 2008, two in late 2009 and five expire in 2010. Presently we do not anticipate any problems or issues with respect to renewing these agreements upon acceptable terms. 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, results of operations or cash flows. See Business Employees for a discussion of our previous negotiations of collective-bargaining agreements.

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Our historical financial information is not comparable to our current financial condition, results of operations and cash flows because of our use of purchase accounting in connection with the Merger, the acquisitions of Port City, Lynch Metals and Allmet.

It may be difficult for you to compare both our historical and future results to our results for the fiscal year ended December 31, 2007 and the three months ended March 31, 2008. The Merger was 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. In addition, the acquisition of Port City and Dura-loc Roofing Systems Limited, subsequently renamed Allmet, which we refer to as Allmet (collectively, which we refer to as the 2006 Acquisitions), and the acquisition of Lynch Metals were, and we expect future acquisitions will be, also accounted for using purchase accounting and, therefore, similar limitations regarding comparability of historical and subsequent results could arise. Under the purchase method of accounting, the operating results of each of the acquired businesses, including the 2006 Acquisitions and Lynch Metals, are included in our financial statements only from the date of the acquisitions. As a result, amounts presented in the consolidated financial statements and footnotes may not be comparable with those of prior periods.

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 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. We regularly evaluate potential acquisitions and may complete one or more significant acquisitions in the future. To finance an acquisition, we may incur debt or issue equity. 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, results of operations and cash flows, 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 that could be material; and
- increasing the scope, geographic diversity and complexity of our operations.

As a result of the foregoing, our acquisition strategy may not be successfully received by customers, and we may not realize any anticipated benefits from acquisitions.

Metals USA Holdings is a holding company and relies on dividends and other payments, advances and transfers of funds from its subsidiaries to meet its dividend and other obligations.

Metals USA Holdings has no direct operations and no significant assets other than ownership of 100% of the stock of Flag Intermediate and its indirect ownership of 100% of Metals USA. Because Metals USA

Holdings conducts its operations through its subsidiaries, Metals USA Holdings depends on those entities for dividends and other payments to generate the funds necessary to meet its financial obligations, and to pay any dividends with respect to our common stock. Legal and contractual restrictions in the ABL facility, the Metals USA Notes indenture, the 2007 Notes indenture and other agreements governing current and future indebtedness of Metals USA Holdings subsidiaries, as well as the financial condition and operating requirements of Metals USA Holdings subsidiaries, may limit Metals USA Holdings ability to obtain cash from its subsidiaries. The earnings from, or other available assets of, Metals USA Holdings subsidiaries may not be sufficient to pay dividends or make distributions or loans to enable Metals USA Holdings to pay any dividends on our common stock.

We may not be able to retain or expand our customer base if the North American manufacturing industry continues to erode through moving offshore or through acquisition and merger or consolidation activity in our customers industries.

Our customer base, including our Flat Rolled and Non-Ferrous Group s customer base, primarily includes manufacturing and industrial firms. Some of these customers operate in industries that are undergoing consolidation through acquisition and merger activity; some are considering or have considered relocating production operations overseas or outsourcing particular functions overseas; and some customers have closed as they were unable to compete successfully with overseas competitors. Our facilities are predominately located in the mid-western and southern United States. To the extent that these customers cease U.S. operations, relocate or move operations overseas to regions in which we do not have a presence, we could lose their business. In addition, acquirers of manufacturing and industrial firms may have suppliers of choice that do not include us, which could affect our customer base and sales.

We may face product liability claims that are costly and create adverse publicity.

If any of the products that we sell cause harm to any of our customers, we could be exposed to product liability lawsuits. If we were found liable under product liability claims, we could be required to pay substantial monetary damages. Further, even if we successfully defended ourselves against this type of claim, we could be forced to spend a substantial amount of money in litigation expenses, our management could be required to spend valuable time to defend against these claims and our reputation could suffer, any of which could harm our business.

We may not be able to generate sufficient cash to service all of our indebtedness.

Our ability to make payments on our indebtedness depends on our ability to generate cash in the future. The Metals USA Notes, the 2007 Notes, the ABL facility and our other outstanding indebtedness are expected to account for significant cash interest expenses in fiscal 2008. 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.

Our substantial leverage exposes us to interest rate risk and 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 our indebtedness.

We are highly leveraged. As of March 31, 2008, our total indebtedness was $910.4 million. We also had an additional $135.9 million available for borrowing under the ABL facility as of that date. As of March 31, 2008, we had $907.0 million of senior indebtedness outstanding, consisting of borrowings under the ABL facility, the Metals USA Notes, the 2007 Notes and an Industrial Revenue Bond, which we refer to as IRB, and $3.4 million of junior indebtedness outstanding. We are required by the terms of the 2007 Notes to make an offer to

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all holders of the 2007 Notes within 60 days of the receipt of the proceeds of this offering to repurchase the maximum principal amount of the 2007 Notes that may be purchased out of the net proceeds, estimated to be approximately $ million, or $ million if the over-allotment option is exercised in full, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of repurchase. We cannot assure you that holders of the 2007 Notes will accept our offer and, even if they do, we expect that $ million of the 2007 Notes will remain outstanding. We will also continue to be subject to the covenants in the indenture governing the 2007 Notes. See Use of Proceeds.

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 may 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, results of operations or cash flows if we were unable to service our indebtedness or obtain additional financing, as needed.

Our debt agreements impose significant operating and financial restrictions, which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

The ABL facility and the indentures governing the Metals USA Notes and the 2007 Notes contain various covenants that limit or prohibit our ability, among other things, to:

- incur or guarantee additional indebtedness or issue certain preferred shares;
- pay dividends on our capital stock or redeem, repurchase, retire or make distributions in respect of our capital stock or subordinated indebtedness or make other restricted payments;
- make certain loans, acquisitions, capital expenditures or investments;
- sell certain assets, including stock of our subsidiaries;
- enter into sale and leaseback transactions;
- create or incur liens;

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

- enter into certain transactions with our affiliates.

In addition, under the ABL facility, if Metals USA s borrowing availability falls below a specified threshold, Metals USA is required to satisfy and maintain a minimum FCCR of not less than 1.0 to 1.0. The FCCR is determined by dividing (1) the sum of adjusted EBITDA (as defined by and in accordance with the loan and security agreement governing the ABL facility) minus income taxes paid in cash and non-financed capital expenditures by (2) the sum of certain distributions paid in cash, cash interest expense and scheduled principal reductions on debt. Metals USA s ability to meet the required FCCR can be affected by events beyond its control, and we cannot assure you that it will meet this ratio.

A breach of any of these covenants could result in a default under our debt agreements. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financing Activities Covenant Compliance.

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The restrictions contained in the agreements that govern the terms of our debt could:

- limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans;

- adversely affect our ability to finance our operations, to enter into strategic acquisitions, investments or other capital needs or to engage in other business activities that would be in our interest; and

- limit our access to the cash generated by our subsidiaries.

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, results of operations or cash flows. In addition, we may not have sufficient assets to repay the 2007 Notes or the Metals USA 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 Operations Financing Activities and Description of Certain Indebtedness.

Despite our substantial indebtedness, we may still be able to incur significantly more indebtedness which could have a material adverse effect on our business, financial condition or results of operations.

The terms of the Metals USA Notes indenture, the 2007 Notes indenture and the ABL facility contain restrictions on our 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, 2008, we had approximately $135.9 million available for additional borrowing under the ABL facility, including the subfacility for letters of credit, and the covenants under our debt agreements would allow us to borrow a significant amount of additional indebtedness. In addition, the Metals USA Notes indenture does not limit the amount of indebtedness that may be incurred by Flag Intermediate or Metals USA Holdings. Additional leverage could have a material adverse effect on our business, financial condition or results of operations and could increase the risks described in Our substantial leverage exposes us to interest rate risk and 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 our indebtedness, Our debt agreements impose significant operating and financial restrictions, which could have a material adverse effect on our business, financial condition, results of operations or cash flows and 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.

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, including the ABL facility and the 2007 Notes, bears interest at rates that fluctuate with changes in certain short-term prevailing interest rates. As of March 31, 2008, we had approximately $632.0 million of floating rate debt under the 2007 Notes, the ABL facility and the IRB. We also had an additional $135.9 million available for borrowing under the ABL facility as of March 31, 2008. Assuming a consistent level of debt, a 1% change in the interest rate on our floating rate debt effective from the beginning of the year would increase or decrease our fiscal 2008 interest expense under the 2007 Notes, the ABL facility and the IRB by approximately $6.3 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, results of operations or cash flows.

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Cash interest on the 2007 Notes will accrue at a rate per annum, reset quarterly, equal to LIBOR plus a spread of 6.00%, which increases by 0.25% to 6.25% in year 2, by 0.50% to 6.50% in year 3, and by 0.75% to 6.75% in year 4. The spread increases to 6.25% on July 10, 2008. Assuming a LIBOR rate of % and the adjusted spread of 6.25% and assuming $ million of our 2007 Notes are repurchased with the proceeds of this offering, our annual interest expense would be reduced by $ million. We cannot assure you, however, that holders of our 2007 Notes will accept our offer to repurchase their notes, and even if they do, we expect that $ million of the 2007 Notes will remain outstanding. For each $1.0 million of 2007 Notes that remain outstanding our interest expense related thereto will be $.

Risks Related to an Investment in Our Common Stock and This Offering

There is no existing market for our common stock and we do not know if one will develop, which could impede your ability to sell your shares and depress the market price of our common stock.

Prior to this offering, there has not been a public market for our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on The New York Stock Exchange or otherwise or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The initial public offering price for the common stock will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. See Underwriting. Consequently, you may not be able to sell our common stock at prices equal to or greater than the price you paid in this offering.

Apollo controls us and its interests may conflict with or differ from your interests as a stockholder.

After the consummation of this offering, Apollo will beneficially own approximately % of our common stock, assuming the underwriters do not exercise their over-allotment option. If the underwriters exercise in full their over-allotment option, Apollo will beneficially own approximately % of our common stock immediately after the consummation of this offering. As a result, Apollo will continue to have the power to elect all of our directors and will have the ability to prevent any transaction that requires the approval of our board of directors or stockholders, including the approval of significant corporate transactions such as mergers and the sale of substantially all of our assets.

The amended and restated investors rights agreement that we intend to enter into with Apollo and each of our management members, which we refer to as the amended and restated investors rights agreement, will also provide Apollo with certain approval rights as long as Apollo owns (including shares of common stock issuable under the terms of any exchangeable securities issued by us) at least % of our outstanding common stock. In addition, the amended and restated investors rights agreement will provide that, except as otherwise required by applicable law, Apollo will have the right to nominate (a) directors as long as Apollo owns (including shares of common stock issuable under the terms of any exchangeable securities issued by us) at least % but less than % of our outstanding common stock, (b) directors as long as Apollo owns (including shares of common stock issuable under the terms of any exchangeable securities issued by us) at least % but less than % of our outstanding common stock and (c) directors as long as Apollo owns (including shares of common stock issuable under the terms of any exchangeable securities issued by us) at least % but less than % of our outstanding common stock. Thus Apollo will continue to be able to significantly influence or effectively control our decisions. See Certain Relationships and Related Party Transactions Related Party Transactions Amended and Restated Investors Rights Agreement and Description of Capital Stock Composition of Board of Directors; Election and Removal of Directors.

The interests of Apollo could conflict with or differ from your interests as a holder of our common stock. For example, the concentration of ownership held by Apollo could delay, defer or prevent a change of control of

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our company or impede a merger, takeover or other business combination that you as a stockholder may otherwise view favorably. Apollo is in the business of making or advising on investments in companies and holds, and may from time to time in the future acquire, interests in or provide advice to businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. They may also pursue acquisitions that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. Further, Apollo will realize substantial benefits from the sale of their shares in this offering. A sale of a substantial number of shares of stock in the future by funds affiliated with Apollo could cause our stock price to decline.

We are a controlled company within the meaning of The New York Stock Exchange rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

Upon the closing of this offering, Apollo will continue to control a majority of our voting common stock. As a result, we are a controlled company within the meaning of The New York Stock Exchange corporate governance standards. Under The New York Stock Exchange rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain New York Stock Exchange corporate governance requirements, including:

- the requirement that a majority of the board of directors consists of independent directors;
- the requirement that we have a nominating/governance committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating/governance and compensation committees.

Following this offering, we intend to utilize the exemptions from The New York Stock Exchange corporate governance requirements, including the foregoing. As a result, we will not have a majority of independent directors nor will our nominating/governance and compensation committees consist entirely of independent directors and we will not be required to have an annual performance evaluation of the nominating/governance and compensation committees. See Management. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of The New York Stock Exchange corporate governance requirements.

The price of our common stock may fluctuate significantly and you could lose all or part of your investment.

Volatility in the market price of our common stock price may prevent you from being able to sell your common stock at or above the price you paid for your common stock. The market price for our common stock could fluctuate significantly for various reasons, including:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry;
- conditions that impact demand for our products and services;
- future announcements concerning our business or our competitors businesses;

the public s reaction to our press releases, other public announcements and filings with the SEC;

changes in earnings estimates or recommendations by securities analysts who track our common stock;

market and industry perception of our success, or lack thereof, in pursuing our growth strategy;

- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in government and environmental regulation;
- general market, economic and political conditions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- arrival and departure of key personnel;
- the number of shares to be publicly traded after this offering;
- sales of common stock by us, Apollo or members of our management team;
- adverse resolution of new or pending litigation against us; and
- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war and responses to such events.

See Risks Related to Our Business.

In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our share price.

We have no plans to pay regular dividends on our common stock, so you may not receive funds without selling your common stock.

We have no plans to pay regular dividends on our common stock. Any payment of future dividends will be at the discretion of our board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations that our board of directors deems relevant. The ABL facility and the indentures governing the 2007 Notes and the Metals USA Notes also include limitations on the ability of our subsidiaries to pay dividends to us. Accordingly, you may have to sell some or all of your common stock in order to generate cash flow from your investment.

Future sales or the possibility of future sales of a substantial amount of our common stock may depress the price of shares of our common stock.

We may sell additional shares of common stock in subsequent public offerings. Our amended and restated articles of incorporation will authorize us to issue shares of common stock, of which shares will be outstanding upon consummation of this offering. This number includes shares that we are selling in this offering, which may be resold immediately in the public market. Of the remaining shares, or % are restricted from immediate resale under the federal securities laws and the lock-up agreements between our current stockholders and the underwriters described in the Underwriting section of this prospectus, but may be sold into the market in the near future. These shares will become available for sale at various times following the expiration of the lock-up agreements, which, without the prior consent of the representatives of the underwriters, is days after the date of this prospectus (which period could be extended by the underwriters for up to an additional days under certain circumstances). Immediately after the expiration of the -day lock-up period, the shares will be eligible for resale under Rule 144 or Rule 701 of the Securities Act subject to volume limitations and applicable holding period requirements. In addition, immediately following this offering, we intend to file a registration statement under the Securities Act registering

shares reserved for issuance under the 2005 Plan and shares reserved for issuance under the incentive plan we may adopt prior to this offering (of which shares will not be subject to the -day lock-up).

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We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

Our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.

Provisions of our amended and restated certificate of incorporation and bylaws may make it more difficult for, or prevent a third party from, acquiring control of us without the approval of our board of directors. These provisions include:

- a classified board of directors;
- the sole power of a majority of the board of directors to fix the number of directors;
- limitations on the removal of directors;
- the ability of our board of directors to designate one or more series of preferred stock and issue shares of preferred stock without stockholder approval;
- the sole power of our board of directors to fill any vacancy on our board, whether such vacancy occurs as a result of an increase in the number of directors or otherwise; and
- advance notice requirements for nominating directors or introducing other business to be conducted at stockholder meetings.

The foregoing factors, as well as the significant common stock ownership by Apollo, could impede a merger, takeover or other business combination or discourage a potential investor from making a tender offer for our common stock, which, under certain circumstances, could reduce the market value of our common stock. See Description of Capital Stock.

Because all of the proceeds from this offering of our common stock may be used to repay the 2007 Notes, none or very little of such proceeds may be used to further invest in our business.

The 2007 Notes indenture requires that we make an offer to all holders of the 2007 Notes within 60 days of the receipt of the proceeds of this offering to repurchase the maximum principal amount of the 2007 Notes that may be purchased out of the net proceeds, estimated to be approximately $ million, or $ million if the over-allotment option is exercised in full, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of repurchase. As a result, none or very little of such proceeds may be used to further invest in our business. See Use of Proceeds.

You will suffer an immediate and substantial dilution in the net tangible book value of the common stock you purchase.

Prior investors have paid substantially less per share than the price in this offering. The initial offering price is substantially higher than the net tangible book value per share of the outstanding common stock immediately after this offering. Accordingly, based on an assumed initial public offering price of $ per share (the midpoint of the range set forth on the cover page of this prospectus), purchasers of common stock in this offering will experience immediate and substantial dilution of approximately $ per share in net tangible book value of the common stock. See Dilution, including the discussion of the effects on dilution from a change in the price of this offering.

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Any issuance of preferred stock could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.

Our board of directors has the authority to issue preferred stock and to determine the preferences, limitations and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium over the market price, and adversely affect the market price and the voting and other rights of the holders of our common stock.

The additional requirements of having a class of publicly traded equity securities may strain our resources and distract management.

After the consummation of this offering, we will be subject to additional reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, and the Sarbanes-Oxley Act of 2002, which we refer to as the Sarbanes-Oxley Act. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control for financial reporting. These requirements may place a strain on our systems and resources. Under Section 404 of the Sarbanes-Oxley Act, we are currently required to include a report of management on our internal control over financial reporting in our Annual Reports on Form 10-K. After consummation of this offering, our independent public accountants auditing our financial statements must attest to the effectiveness of our internal control over financial reporting. This requirement will first apply to our Annual Report on Form 10-K for our fiscal year ending December 31, 2008. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. This may divert management s attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. If we are unable to conclude that our disclosure controls and procedures and internal control over financial reporting are effective, or if our independent public accounting firm is unable to provide us with an unqualified report as to management s assessment of the effectiveness of our internal control over financial reporting in future years, investors may lose confidence in our financial reports and our stock price may decline.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that 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 anticipates or si 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, which we refer to as 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:

- supply, demand, prices and other market conditions for steel and other commodities;
- 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 timing and extent of changes in commodity prices;
- tariffs and other government regulations relating to our products and services;
- adverse developments in our relationship with both our key employees and unionized employees;
- 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;
- our substantial indebtedness described in this prospectus;

- restrictive covenants in our indebtedness that may adversely affect our operational flexibility;

- 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;

- our expectations with respect to our acquisition activity;

- our ability to retain key employees; and

- the costs of being a public company, including Sarbanes-Oxley compliance.

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. Accordingly, investors should not place undue reliance on those statements. 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.

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USE OF PROCEEDS

Assuming an initial public offering price of $ per share, which represents the midpoint of the range set forth on the cover page of this prospectus, our net proceeds from this offering are estimated to be approximately $ million after deducting the estimated underwriting discounts and commissions and offering expenses that will be paid out of the proceeds of this offering. We currently intend to use the net proceeds from the shares being sold by us in this offering, including any net proceeds from any sales of our common stock sold pursuant to the underwriters over-allotment, as follows:

- approximately $ million to make an offer to all holders of our 2007 Notes to repurchase the maximum principal amount of the 2007 Notes that may be purchased out of the net proceeds of this offering, estimated to be approximately $ million, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of repurchase;

- approximately $ million for estimated fees and expenses; and

- any remaining net proceeds to be used for general corporate purposes.

Under the terms of the indenture governing the 2007 Notes, we must offer to repurchase all of a holder s 2007 Notes or a pro rata portion thereof. The 2007 Notes will be repurchased no earlier than 30 days nor later than 60 days from the date we commence the repurchase offer, which may be commenced no later than 60 days following our receipt of the proceeds of this offering. Prior to the commencement of the repurchase offer, we must irrevocably deposit the net proceeds of this offering with the trustee, Wells Fargo Bank, N.A., and the proceeds must be invested in cash or cash equivalents to be held for the payment of the purchase price of the 2007 Notes. We cannot assure you that holders of the 2007 Notes, of which $300.0 million aggregate principal amount are outstanding, will accept our offer, and even if they do, we expect that $ million of the 2007 Notes will remain outstanding. If the amount deposited is greater than the purchase price of the 2007 Notes tendered by holders, the trustee will deliver the excess to us immediately after the expiration of the repurchase offer. We may use the balance of the net proceeds, if any, for general corporate purposes, as described below.

Our affiliates, including Apollo, that are holders of the 2007 Notes may participate in the repurchase offer. See Certain Relationships and Related Party Transactions Related Party Transactions Repurchase Offer. Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with the offering, a $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) the amount of proceeds from this offering by $ million, with a corresponding increase (decrease) in the repurchase offer made to holders of the 2007 Notes.

If the net proceeds of this offering, including any net proceeds from any sales of our common stock sold pursuant to the underwriters over-allotment, are greater than the purchase price of the 2007 Notes tendered in the repurchase offer, we will use any remaining net proceeds for general corporate purposes. General corporate purposes includes working capital, the expansion of our production capabilities, research and development, purchases of capital equipment and potential acquisitions of businesses that we believe are complementary to our business. We have not determined the specific portion of any net proceeds to be used for these purposes, and the net proceeds from this offering have not been accounted for in our normal budgeting process. Although from time to time we evaluate possible acquisitions of companies and assets, we currently have no definitive commitments or agreements to make any acquisitions, and cannot assure you that we will make any acquisitions in the future. The amounts actually expended for these purposes may vary significantly and will depend on a number of factors, including the amount of cash we generate from future operations, the actual expenses of operating our business, opportunities that may be or become available to us and the other factors described under Risk Factors. Notwithstanding the uses described above, we will retain broad discretion in the allocation of such net proceeds.

We will not receive any proceeds from the sale of our common stock by the selling stockholders, including with respect to any shares sold by the selling stockholders pursuant to the underwriters exercise of their option to purchase additional shares. In the aggregate, the selling stockholders will receive approximately $ million of proceeds from this offering, after deducting the estimated underwriting discounts and commissions and offering expenses, or approximately $ million if the underwriters option to purchase additional shares is exercised in full, assuming the shares are offered at $ per share, which is the midpoint of the estimated offering price range set forth on the cover of this prospectus.

The first three interest payments on the 2007 Notes were paid and the interest payment on July 1, 2008 is payable solely in cash. For any interest period thereafter, we may elect to pay interest (1) entirely in cash or (2) entirely by increasing the principal amount of the 2007 Notes or issuing new 2007 Notes, which we refer to as PIK Interest, or (3) on 50% of the outstanding principal amount of the 2007 Notes in cash and on 50% of the outstanding principal amount of the 2007 Notes by increasing the principal amount of the outstanding 2007 Notes or by issuing new 2007 Notes, which we refer to as Partial PIK Interest. Cash interest on the 2007 Notes will accrue at a rate per annum, reset quarterly, equal to LIBOR plus a spread of 6.00%, which increases by 0.25% to 6.25% in year 2, by 0.50% to 6.50% in year 3, and by 0.75% to 6.75% in year 4. In the event PIK Interest is paid on the 2007 Notes, the then-applicable margin over LIBOR on 2007 Notes would increase by 0.75% for each period in which PIK Interest is paid. The 2007 Notes, including any notes issued to pay PIK Interest or Partial PIK Interest, mature on July 1, 2012. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financing Activities The 2007 Notes.

DIVIDEND POLICY

We do not currently anticipate paying any dividends on our common stock in the foreseeable future. Any future determination as to our dividend policy will be made at the discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, legal requirements, restrictions in our debt agreements and other factors our board of directors deems relevant. The terms of the indebtedness of Metals USA, our subsidiary, may also restrict it from paying cash dividends to us under some circumstances. See Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations 2005 Successor Company and Predecessor Company Results Combined Non-GAAP Contractual Obligations, Description of Certain Indebtedness, and Description of Capital Stock Common Stock.

On July 10, 2007, Metals USA Holdings used the net proceeds from the issuance of $300.0 million initial aggregate principal amount of the 2007 Notes as well as approximately $8.3 million of additional borrowings under the ABL facility, to redeem the 2006 Notes (for approximately $150.0 million plus accrued and unpaid interest of approximately $5.4 million see Note 8 to our consolidated financial statements for further discussion of the 2006 Notes redemption), to pay a cash dividend of approximately $130.3 million to its stockholders, which include Apollo and certain members of management, to pay approximately $9.2 million to its stock option holders in order to equitably adjust such stock options to reflect such dividend, which include certain members of our management, which we refer to collectively as the July 2007 dividend, and to pay fees and expenses related to the offering of the 2007 Notes.

In connection with the July 2007 dividend, stock option holders were paid approximately $9.25 per share on outstanding options (an amount equal to the per-share amount of the July 2007 dividend), for a total of approximately $9.2 million. The cash payment to holders of outstanding options to acquire shares of Metals USA Holdings common stock was made to equitably adjust such option holders by the Metals USA Holdings board of directors pursuant to the exercise of its discretion to preserve the rights of options holders under the 2005 Plan. As a result of the cash payment on outstanding options, we were required to recognize $0.3 million of non-cash stock-based compensation expense, net of related tax effects, in the third quarter of 2007.

During December 2006, Metals USA Holdings issued $150.0 million initial aggregate principal amount of the Senior Floating Rate Toggle Notes due 2012, which we refer to as the 2006 Notes. On January 3, 2007, Metals USA Holdings used the net proceeds from the issuance of the 2006 Notes, as well as $8.2 million of additional borrowings under the ABL facility, to pay a cash dividend of approximately $144.8 million to its stockholders, which include Apollo and certain members of our management, to make a cash payment (partially in lieu of the cash dividend) of approximately $4.2 million to its vested stock option holders, which include certain members of our management, and to pay fees and expenses related to the issuance of the 2006 Notes, including a $1.5 million non-recurring transaction fee to Apollo. We refer to such cash payment and the cash dividend collectively as the January 2007 dividend.

In connection with the January 2007 dividend, the outstanding employee stock options under the 2005 Plan were adjusted a second time. The combination of the reduction of the per share exercise price of the stock options and the cash payment to vested stock option holders was, on a per share basis, approximately equal to the per share amount of the dividend.

Because the payment of the January 2007 dividend resulted in the achievement of certain performance targets with respect to Apollo s investment in Metals USA Holdings, the board of directors exercised its discretion under the 2005 Plan to vest all of the outstanding Tranche B options. In addition, the board of directors exercised its discretion to vest Tranche A options granted to directors affiliated with Apollo.

On January 3, 2007, the board of directors of Metals USA Holdings adopted our 2006 Deferred Compensation Plan. Our 2006 Deferred Compensation Plan was adopted in connection with the January 2007 dividend, and credits to individual accounts established for stock option holders an amount equal to $6.56 per

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share on certain unvested options, for a total of $2.3 million. Payment of this liability is subject to continued employment for two years following the adoption date and will be paid in one lump sum upon completion of such period.

On May 23, 2006, we declared a dividend of $25 million to our stockholders of record as of that date, which we paid on May 24, 2006, which we refer to as the May 2006 dividend.

In connection with the payment of the May 2006 dividend, the outstanding employee stock options under the 2005 Plan were equitably adjusted by decreasing the exercise price of such options in an amount equal to the per share amount of the May 2006 dividend.

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CAPITALIZATION

The following table sets forth cash and cash equivalents and capitalization as of March 31, 2008:

on a historical basis; and

on a pro forma basis to give effect to:

(a) the issuance of shares of our common stock to our existing stockholders immediately prior to the consummation of this offering;

(b) the sale of approximately shares of our common stock in this offering at the initial public offering price of $ per share, which represents the midpoint of the range set forth on the cover page of this prospectus, providing net proceeds to us from this offering (after deducting the estimated underwriting discounts and commissions) of approximately $ million; and

(c) the application of the net proceeds as described in Use of Proceeds.

This table should be read together with Use of Proceeds, Selected Historical Consolidated Financial Data, Risk Factors, 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, 2008	
	Historical	**Pro Forma (1)**
	(in millions)	
Cash and cash equivalents(2)	$ 22.5	$
Total long-term debt:		
ABL facility(3)	$ 334.0	$
Metals USA Notes(2)	275.0	
2007 Notes	292.3	
Other long-term debt(4)	7.5	
Total long-term debt	908.8	
Stockholders deficit:		
Common stock(5)(6)	0.1	
Additional paid-in capital	6.0	
Retained deficit	(123.3)	
Accumulated other comprehensive income	0.8	
Total stockholders deficit	$ (116.4)	$
Total capitalization	$ 792.4	$

(1)

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with the offering, a $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) cash and cash equivalents by $ million, additional paid-in capital by $ million, total stockholders equity by $ million and total capitalization by $ million.

(2) Assuming the number of shares offered by us, as set forth on the cover remains the same, we currently intend to use approximately $ million of the net proceeds from the shares being sold by us in this offering to make an offer to all holders of our 2007 Notes to repurchase the maximum principal amount of the 2007 Notes that may be purchased out of the net proceeds of this offering, estimated to be approximately $ million, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of repurchase. We cannot assure you that holders of the 2007 Notes will accept our offer, and even if they do, we expect that $ million of the 2007 Notes will remain outstanding.

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(3) The ABL facility provides for up to $525.0 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. As of March 31, 2008, we had eligible collateral of $485.2 million, $334.0 million in outstanding advances, and $15.2 million reserved for letters of credit, and $135.9 million of borrowing availability.

(4) Consists of an IRB with $5.7 million principal amount outstanding as of March 31, 2008, which is payable on May 1, 2016 in one lump sum payment, a note payable in the amount of $1.5 million recorded in connection with the Lynch Metals acquisition, and $0.3 million in vendor financing and purchase money notes.

(5) shares authorized; shares issued and outstanding, pro forma for this offering.

(6) Upon consummation of this offering, there will be options to purchase shares of our common stock issuable upon the exercise of options outstanding under the 2005 Plan and any future issuances under the incentive plan we may adopt prior to this offering.

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DILUTION

Dilution is the amount by which the offering price paid by the purchasers of the common stock to be sold in this offering will exceed the pro forma net tangible book value per share of common stock after this offering. Our net tangible book deficit as of March 31, 2008 was $ million, or $ per share of common stock. We have calculated this amount by:

subtracting our total liabilities from our total tangible assets; and

dividing the difference by the number of shares of our common stock outstanding.

If we give effect to the sale of shares of our common stock by us in this offering at the assumed public offering price of $ per share (the midpoint of the range set forth on the cover of this prospectus), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering, our pro forma net tangible book deficit as of March 31, 2008 would have been $ million, or $ per share. This amount represents an immediate dilution of $ per share to new investors. The following table illustrates this dilution per share:

		Per Share
Initial public offering price per share		
Net tangible book deficit as of March 31, 2008	$	
Increase in net tangible book value attributable to this offering(1)		
Pro forma net tangible book deficit after this offering		
Dilution to new investors		$

(1) Net tangible book deficit is calculated by subtracting goodwill, identifiable intangibles, deferred tax assets and deferred financing costs from total net assets.

If the underwriters exercise their over-allotment option in full, our as adjusted net tangible book value will increase to $ per share, representing an increase to existing holders of $ per share, and there will be an immediate dilution of $ per share to new investors.

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with the offering, a $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) the net tangible book value attributable to this offering by $ per share and the dilution to new investors by $ per share and decrease (increase) the as adjusted net tangible book deficit after this offering by $ per share.

The following table summarizes, as of March 31, 2008, as adjusted to give effect to this offering, the difference between the number of shares of our common stock purchased from us, the total consideration paid to us, and the average price per share paid by existing stockholders and by new investors, at the initial public offering price of $ per share, before deducting the estimated underwriting discounts and commissions and offering expenses payable by us in connection with this offering:

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount (in millions)	Percent	per Share
Existing stockholders					

Existing option holders	
New investors	
Total	

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The foregoing table does not reflect proceeds to be realized by selling stockholders in this offering.

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with the offering, a $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) the total consideration paid by new investors by $ million, the total consideration paid by all stockholders by $ million and the average price per share by $ per share.

The number of shares purchased is based on shares of common stock outstanding as of March 31, 2008. The discussion and table above exclude shares of our common stock issuable upon the exercise of options outstanding under the 2005 Plan and shares reserved for issuance under the incentive plan we may adopt prior to this offering. To the extent outstanding options are exercised, new investors will experience further dilution.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

On May 18, 2005, Metals USA Holdings, Flag Acquisition and Metals USA entered into the Agreement and Plan of Merger, which we refer to as the Merger Agreement. On November 30, 2005, Flag Acquisition, then a wholly-owned subsidiary of Flag Intermediate, merged with and into Metals USA, with Metals USA being the surviving corporation. Metals USA Holdings, Flag Intermediate and Flag Acquisition conducted no operations during the period May 9, 2005 (date of inception) to November 30, 2005.

We applied purchase accounting on the closing date of the Merger and, as a result, the merger consideration was allocated to the respective 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. In addition, we have completed a number of acquisitions that may affect comparability of our financial results. The selected consolidated and combined financial data should be read in conjunction about the limitations on comparability of our financial results, including as a result of acquisitions. See Summary 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.

The following table sets forth our selected historical consolidated financial data as of the dates and for the periods indicated. The selected historical consolidated financial data for the period from January 1, 2005 to November 30, 2005 for the Predecessor Company and for the period from May 9, 2005 to December 31, 2005, and as of December 31, 2006 and for the year ended December 31, 2006, and as of December 31, 2007 and for the year ended December 31, 2007 for the Successor Company have been derived from our audited consolidated financial statements and related notes included in this prospectus. The selected historical financial data as of December 31, 2005 for the Successor Company has been derived from the Successor Company s audited consolidated financial statements not included in this prospectus. The selected historical consolidated financial data as of December 31, 2003 and 2004, and for each of the two years ended December 31, 2004, presented in this table have been derived from our Predecessor Company s audited consolidated financial statements not included in this prospectus. The historical consolidated financial data for the three months ended March 31, 2007 and 2008 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The March 31, 2007 and 2008 financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The Successor Company had no assets and conducted no operations from May 9, 2005 (date of inception) to November 30, 2005. The historical results set forth below do not necessarily indicate results expected for any future period, and should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and the consolidated financial statements and related notes thereto included elsewhere in this prospectus.

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	Predecessor Company			Successor Company				
	Years Ended December 31,		Period from January 1, 2005 through November 30,	Period from May 9, 2005 (Date of Inception) through December 31,	Years Ended December 31,		Three Months Ended March 31,	
	2003	2004	2005	2005	2006	2007	2007	2008
	(in millions, except per share data)							
Net sales	$ 963.2	$ 1,509.8	$ 1,522.1	$ 116.9	$ 1,802.9	$ 1,845.3	$ 462.6	$ 489.0
Operating costs and expenses:								
Cost of sales (exclusive of operating and delivery, and depreciation and amortization)	731.6	1,080.1	1,189.3	92.5	1,371.8	1,418.8	356.1	376.6
Operating expenses(1)(2)	215.2	256.0	250.7	23.5	312.1	313.1	81.0	81.2
Operating income	16.4	173.7	82.1	0.9	119.0	113.4	25.5	31.2
Other (income) expense:								
Interest expense	5.7	8.4	12.0	4.1	54.6	87.0	19.4	25.1
Loss on extinguishment of debt						8.4		
Other (income) expense, net	(2.0)	(2.5)	(0.1)		(0.7)	(0.7)	(0.1)	(0.1)
Income (loss) before income taxes	12.7	167.8	70.2	(3.2)	65.1	18.7	6.2	6.2
Provision (benefit) for income taxes	5.1	63.3	26.7	(1.2)	25.8	4.8	2.4	2.4
Net income (loss)	7.6	104.5	43.5	(2.0)	39.3	13.9	3.8	3.8
Discontinued operations, net	(0.1)							
Net income (loss)	$ 7.5	$ 104.5	$ 43.5	$ (2.0)	$ 39.3	$ 13.9	$ 3.8	$ 3.8
Income (loss) per share:								
Income (loss) per share basic								
From continuing operations	$ 0.38	$ 5.17	$ 2.14	$ (0.14)	$ 2.80	$ 0.99	$ 0.27	$ 0.27
From discontinued operations	(0.01)							
Total	$ 0.37	$ 5.17	$ 2.14	$ (0.14)	$ 2.80	$ 0.99	$ 0.27	$ 0.27
Income (loss) per share diluted								
From continuing operations	$ 0.37	$ 5.05	$ 2.05	$ (0.14)	$ 2.79	$ 0.96	$ 0.26	$ 0.26
From discontinued operations								
Total	$ 0.37	$ 5.05	$ 2.05	$ (0.14)	$ 2.79	$ 0.96	$ 0.26	$ 0.26
Number of common shares used in the per share calculation:								
Basic	20.2	20.2	20.3	14.0	14.1	14.1	14.1	14.1
Diluted	20.3	20.7	21.2	14.0	14.1	14.4	14.4	14.6
Balance sheet data (at end of period):								
Working capital	$ 303.4	$ 565.0		$ 453.7	$ 713.6	$ 506.3	$ 576.9	$ 569.1
Total assets(3)	407.2	710.0		795.3	1,127.0	959.0	1,009.8	1,042.6
Long-term debt, less current portion	118.2	266.6		472.9	754.9	855.0	758.1	908.8
Stockholders equity (deficit)	200.6	328.2		132.4	147.6	(125.6)	1.9	(116.4)
Cash flow data:								
Cash flows provided by (used in) operating activities	$ 26.9	$ (128.6)	$ 170.1	$ 7.3	$ (45.7)	$ 119.2	$ 8.0	$ (40.8)
Cash flows provided by (used in) investing activities	(11.8)	(16.0)	(15.8)	(434.5)	(61.0)	(58.5)	(5.4)	(2.7)

Cash flows provided by (used in) financing activities	(10.0)	145.8	(120.7)	438.5	251.2	(202.9)	(146.0)	52.4
Other operating data:								
Shipments (in thousands of tons)	1,288	1,502	1,332	107	1,505	1,429	377	386
Capital expenditures	$ 17.5	$ 17.4	$ 15.9	$ 4.4	$ 16.9	$ 21.5	$ 5.5	$ 2.8

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(1) For the one-month period ended December 31, 2005, the Successor Company s operating 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. For the year ended December 31, 2006, the Successor Company s operating expenses increased by $23.9 million ($10.8 million in the first quarter of 2006 for cost of sales as the inventory was sold and $13.1 million of additional depreciation and amortization). 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.

(2) We incurred certain costs related to the Merger that were charged to the Predecessor Company s selling, general and administrative expense during the period from January 1, 2005 to November 30, 2005. Such expenses of $15.8 million included $14.6 million paid by us 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 related to the long-term incentive compensation plan of the Predecessor Company. Additionally, we recorded expenses of $0.8 million related to severance costs and $0.4 million for other costs associated with the Merger.

(3) 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.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Readers should refer to Risk Factors for risk factors that may affect future performance. The following discussion should be read in conjunction with Selected Historical Consolidated Financial Data, Summary Historical Consolidated and Combined Financial Data, Consolidated Financial Statements, and related notes included elsewhere in the prospectus.

Overview

We are a leading provider of value-added processed carbon steel, stainless steel, aluminum red metals and manufactured metal components. For the fiscal year ended December 31, 2007, approximately 92% of our revenue was derived from our metal service center and processing activities that are segmented into two groups: Flat Rolled and Non-Ferrous Group and Plates and Shapes Group. The remaining portion of our revenue was derived from our Building Products Group, which principally manufactures and sells aluminum products related to the residential remodeling industry. We purchase metal from primary producers that generally focus on large volume sales of unprocessed metals in limited configurations and sizes. In most cases, we perform the customized, value-added processing services required to meet the specifications provided by end-users. Our Plates and Shapes Group and Flat Rolled and Non-Ferrous Group customers are in the electrical and appliance manufacturing, fabrication, furniture, commercial construction, machinery and equipment, land and marine transportation, and energy and aerospace industries. Our Building Products Group customers are primarily independent distributors and contractors engaged in the residential remodeling industry.

Matters Affecting Comparability of Results

Merger with Flag Acquisition

On November 30, 2005, Flag Acquisition, which was an indirect wholly-owned subsidiary of Flag Intermediate, merged with and into Metals USA, with Metals USA being the surviving corporation. The Merger was consummated pursuant to an agreement and plan of merger by and among Metals USA, Metals USA Holdings and Flag Acquisition. As a result of the Merger, all of the issued and outstanding capital stock of Metals USA is held indirectly by Metals USA Holdings through Flag Intermediate, its wholly-owned subsidiary. Flag Intermediate has no assets other than its investment in Metals USA, conducts no operations and is a guarantor of both the ABL facility and the Metals USA Notes. Immediately prior to the closing date of the Merger, all outstanding shares of our common stock were cancelled in exchange for a cash payment of $22.00 per share of such common stock. Investment funds associated with Apollo own approximately 97% of the capital stock of Metals USA Holdings (or approximately 90% on a fully diluted basis). The remainder of the capital stock of Metals USA Holdings is held by members of our management.

Although the Merger has not affected our operations, it has significantly affected our results of operations as reported in our financial statements. In 2005, we incurred approximately $15.8 million of nonrecurring expenses relating primarily to stock option redemptions, severance packages and the amortization of certain prepaid expenses in connection with the closing of the Merger. As a result of the Merger, we have experienced increased non-cash expenses related to purchase price adjustments and increased interest expense resulting from debt comprising a larger component of our capital structure.

As a result of the Merger, the fair values 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 Successor Company for the period from May 9, 2005 (date of inception) to December 31, 2005, operating costs and expenses were 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. The fair value of deferred taxes and long-term liabilities were increased by $64.8 million and $3.1

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million, respectively. Our intangible assets (customer lists) are being amortized over five years using an accelerated amortization method which approximates their useful life and economic value to us. Total acquisition costs were allocated to the acquired assets and assumed liabilities based upon estimates of their respective fair values as of the closing date of the Merger using valuation and other studies.

As a result of the items discussed above, operating income is not comparable for the periods listed below. Operating income includes charges which affect comparability between periods as follows:

	Predecessor Company	Successor Company	
	Period from January 1, 2005 through November 30, 2005	Period from May 9, 2005 (date of inception) through December 31, 2005	Year Ended December 31, 2006
		(in millions)	
Charges Included in Operating Income:			
Inventory purchase adjustments(1)	$	$ 4.1	$ 10.8
Stock options and grant expense(2)	15.0	0.4	1.2
Write-off of prepaid expenses as a result of the Merger(3)	0.3		
Severance costs(4)	0.7		
Management fees(5)		0.1	1.2

(1) As a result of management s analysis and evaluation of the replacement cost of inventory as of the closing of the Merger, a purchase adjustment 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. On January 1, 2006, we adopted SFAS No. 123(R) Share-Based Payments, which we refer to as SFAS 123(R). In accordance with SFAS 123(R), we recognized $1.2 million of non-cash stock-based compensation expense in 2006.

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

(4) This amount represents severance costs of management personnel that were replaced as part of the Merger.

(5) Includes accrued expenses related to the management agreement with Apollo.

2006 Acquisitions

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, including transaction costs and a $5.0 million contingent payout provision that may be made in 2009, or earlier, subject to certain performance criteria. The maximum amount payable has been accrued in accordance with SFAS 141. Founded in 1977, Port City is a higher value-added processor of steel plate. Port City uses cutting-edge technologies in laser, plasma and oxyfuel burning, braking and rolling, drilling and machining, and welding to service its customers needs. 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 this acquisition positions us to be the pre-eminent plate processor in the southern United States. 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 metal service centers and we believe we have realized synergies by consolidating its metal needs into our overall purchasing process. We have also realized benefits by selling Port City s higher value-added products through our sales force to our existing customer base.

On May 12, 2006, Metals USA purchased all of the assets and operations of Allmet with one manufacturing facility located near Toronto, Ontario, Canada and a sales and distribution facility located in California (which was subsequently closed) for approximately $10.4 million Canadian dollars (approximately U.S. $9.4 million). Allmet, then operating as Dura-Loc Roofing Systems Limited, was established in 1984 and is one of the leading stone-coated metal roof manufacturers in North America. Effective June 30, 2007, we changed the trade name from Dura-Loc Roofing Systems Limited to Allmet to better facilitate our marketing objectives. Allmet is also the only manufacturer of such product located in the eastern regions of North America, a region not yet fully developed for the high-end, stone-coated metal products we produce. We believe this acquisition gives us significant additional capacity located in a potentially high growth area. In addition, by transforming Allmet s production processes to our methodologies, we have reduced Allmet s cost of production, further improving the benefits of the acquisition. We believe the addition of Allmet to our stone-coated metal roofing division, Gerard Roofing Technology, provides us with a more economic and efficient means of gaining access to an expanded product mix and leveraging 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.

2007 Acquisition

In July 2007, we purchased the business operations of Lynch Metals, for approximately $42.4 million. The purchase price was funded by borrowings under the ABL facility, $38.4 million of which was paid at closing, and approximately $4.0 million of which is deferred and will be paid in various installments over a period of two years from the closing date. The excess of the aggregate purchase price over the estimated fair value of net assets acquired was approximately $20.9 million, which was allocated to goodwill. The estimated fair value of accounts receivable, inventories, and property and equipment acquired were $4.4 million, $4.2 million and $1.4 million, respectively. The estimated fair value of accounts payable and accrued liabilities assumed was $2.3 million. The estimated amount of goodwill and related allocation of assets and liabilities acquired and assumed are not final and are subject to change based on final valuations of tangible assets. The results of operations for the Lynch Metals acquisition are included in the Company s consolidated results of operations beginning July 2, 2007.

Lynch Metals is a higher value-added, specialty aluminum metal service center and processor with locations in New Jersey and California. Lynch Metals uses enhanced technologies in slitting, shearing, and cut-to-length to service the just-in-time requirements of its customers, who are predominately manufacturers of air/heat transfer products specifically focused on aerospace, automotive and industrial applications. The acquisition is an important strategic addition to our Flat Rolled and Non-Ferrous Group because it supports our continued shift in product mix from ferrous to non-ferrous products and strengthens our non-ferrous presence in the strategic Northeast and Southern California regions. Lynch Metals product line and processing capabilities are highly complementary to our Flat Rolled and Non-Ferrous segment, and we expect to expand sales of Lynch Metals non-ferrous products into our existing geographic base, and to expand sales of non-ferrous and stainless products into Lynch Metals geographic base.

Selected Operational Information

Net sales. We derive the net sales of our Plates and Shapes and Flat Rolled and Non-Ferrous Groups from the processing and sale of metal products to end-users including metal fabrication companies, general contractors and OEMs. Pricing is generally based upon the underlying metal cost as well as a margin associated with customized value-added services specified by the customer. The net sales of our Building Products Group are derived from the sales of finished goods to local distributors and general contractors who are generally engaged in the residential remodeling industry.

Cost of sales. Our Plates and Shapes and Flat Rolled and Non-Ferrous Groups follow the normal industry practice which classifies, within cost of sales, the underlying commodity cost of metal purchased in mill form and the cost of inbound freight charges together with third-party processing cost, if any. Generally, the cost of

metal approximates 75% of net sales for the Plates and Shapes and Flat Rolled and Non-Ferrous Groups. Cost of sales with respect to our Building Products Group includes the cost of raw materials, manufacturing labor and overhead costs, together with depreciation and amortization expense associated with property, buildings and equipment used in the manufacturing process. Amounts included within this caption may not be comparable to similarly titled captions reported by other companies.

Operating and delivery expense. Our operating and delivery expense reflects the cost incurred by our Plates and Shapes and Flat Rolled and Non-Ferrous Groups for labor and facility costs associated with the value-added metal processing services that we provide. With respect to our Building Products Group, operating costs are associated with the labor and facility costs attributable to the distribution and warehousing of our finished goods at our metal service center facilities. Delivery expense reflects labor, material handling and other third party costs incurred with the delivery of product to customers. Amounts included within this caption may not be comparable to similarly titled captions reported by other companies.

Selling, general and administrative expenses. Selling, general and administrative expenses include sales and marketing expenses, executive officers compensation, office and administrative salaries, insurance, accounting, legal, computer systems, and professional services and costs not directly associated with the processing, manufacturing, operating or delivery costs of our products. Amounts included within this caption may not be comparable to similarly titled captions reported by other companies.

Depreciation and amortization. Depreciation and amortization expense represents the costs associated with property, buildings and equipment used throughout the company except for depreciation and amortization expense associated with the manufacturing assets employed by our Building Products Group, which is included within cost of sales. This caption also includes amortization of intangible assets.

Industry Trends

Metal Service Centers

The metals production and distribution industries have experienced unprecedented revenue and profit expansion over the last five years. Global demand for steel and other metals has grown at an extraordinary pace driven largely by new, but sustainable, market development in China, Brazil, Russia and India as well as Europe, in general. Over the last five years global demand has increased approximately 9% per year, on average. This demand growth is expected to continue, and according to the International Iron and Steel Institute, 2008 global steel consumption is expected to increase approximately 7% from 2007 and 2009 consumption is projected to increase approximately 6% from 2008 levels.

Demand growth has outpaced supply inputs creating upward cost pressure on commodity inputs such as ores, energy and transportation. Three producers supply approximately 70% of the global merchant iron ore market and the majority of this material is sold via annual supply contracts. Contract prices in 2008 were established at rates 71% higher than those set for 2007. In fact, over the last six years, the annual contract price for iron ore has increased by approximately 35% per year. Iron ore production has not kept pace with new steel capacity expansions over the last several years. As a result, global supplies were tight throughout 2007 and spot market purchases were transacted at prices substantially higher than established contract prices. Similarly, metallurgical coal and coke prices have also been increasing dramatically. Global coking coal prices are up more than 200% in 2008 when compared to prices transacted in 2007. Scrap, the primary metallic input for mini-mills, has experienced rapid and volatile price increases in recent years. Compounding scrap availability is that domestic scrap generation has declined as a direct result of lower production volumes from traditional steel consumers such as the automotive industry and durable goods manufacturers. During March 2008 the prices for both #1 heavy melt and auto bundle scrap categories were up approximately 60% when compared to March 2007.

Over the past several years, there has been significant consolidation among the major domestic metals producers. The top three steel producers now control over 60% of the domestic flat rolled market, which has

created a metals pricing environment characterized by a more efficient approach to production and pricing. Mill consolidation has provided mills with a better ability to modify capacity utilization which keeps available supply in balance with demand. Mills today are much more focused on profitability and have generally refused to absorb cost escalations, preferring instead to pass cost increases on to end-users.

Historically, steel in the domestic economy is in a constant state of deficit. Generally speaking, the U.S. consumes approximately 130 million tons of steel annually, and can produce approximately 110 million tons. Imported steel has traditionally filled the gap. However, given the circumstances of a weak U.S. dollar, higher prices in alternative, non-U.S. markets, and the increase in global demand, traditional imports are being redirected to non-U.S. markets. To compound domestic market supply/demand imbalance, domestic mills have identified, and taken advantage of, the opportunity a weak U.S. dollar has given to them for exporting production that would normally remain in the domestic market.

As a result of these industry wide, global pressures, steel prices have been rising consistently since 2004 and prices over the last two quarters have increased approximately 100%. Historically our margins earned over the price of metal have increased during periods of rising steel prices, and we expect this trend to continue.

The timing of the effect that further price trends will have on the domestic steel market is difficult to predict, and any number of political or general economic factors could cause prices to decline.

Building Products

The residential remodeling industry is currently in a state of transition as recent mortgage market turmoil and weak consumer confidence have been reflected in a general decline in the purchase of home remodeling goods and services. However, over the last decade, the residential remodeling industry experienced stable growth due to a number of different macroeconomic and demographic factors including rising disposable incomes, increased rates of home ownership, a low interest rate environment and aging American houses. We believe these factors will support attractive long-term demand fundamentals for home remodeling. The increase in disposable incomes has been a factor in the rise in home ownership to approximately 68% in 2007 from 55% in 1950. The aging of the domestic home supply is also expected to contribute to remodeling sales as the average home in the U.S. is now over 30 years old. As Americans continue to improve and upgrade their homes, we believe an increasing number will turn to remodeling as a cost-effective alternative to new housing construction. The most popular remodeling projects include backyard living items, such as pool enclosures, lattices and patio covers, as well as sunrooms and roofing, all of which we manufacture and distribute.

We have implemented certain initiatives in response to the downturn in the housing and residential remodeling markets primarily directed at systemic cost reduction and reducing manufacturing capacity to better match the addressable market. During 2007 we closed three sales centers and announced the future closure of four additional sales centers as well as our manufacturing facility in Houston, Texas. Consequently, production volumes were re-allocated to our Groveland, Florida and Buena Park, California manufacturing facilities. All closures were completed by April 2008. We continue to evaluate various alternative strategies for our building products business.

Product demand for the Company s Building Products Group may be influenced by numerous factors such as interest rates, general economic conditions, consumer confidence and other factors beyond our control. Declines in existing home sales and remodeling expenditures due to such factors could continue to significantly reduce the segment s performance.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of

assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of this process forms the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. We review our estimates and judgments on a regular, ongoing basis. Actual results may differ from these estimates due to changed circumstances and conditions.

The following accounting policies and estimates are considered critical in light of the potentially material impact that the estimates, judgments and uncertainties affecting the application of these policies might have on our reported financial information.

Accounts Receivable. We generally recognize revenue as product is shipped (risk of loss for our products generally passes at time of shipment), net of provisions for estimated returns. Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of trade accounts and notes receivable. Collections on our accounts receivable are made through several lockboxes maintained by our lenders. Credit risk associated with concentration of cash deposits is low as we have the right of offset with our lenders for the substantial portion of our cash balances. Concentrations of credit risk with respect to trade accounts receivable are within several industries. Generally, credit is extended once appropriate credit history and references have been obtained. We perform ongoing credit evaluations of customers and set credit limits based upon reviews of customers current credit information and payment history. We monitor customer payments and maintain a provision for estimated credit losses based on historical experience and specific customer collection issues that we have identified. Provisions to the allowance for doubtful accounts are made monthly and adjustments are made periodically based upon our expected ability to collect all such accounts. Generally we do not require collateral for the extension of credit.

Each month we consider all available information when assessing the adequacy of the provision for allowances, claims and doubtful accounts. Adjustments made with respect to the allowance for doubtful accounts often relate to improved information not previously available. Uncertainties with respect to the allowance for doubtful accounts are inherent in the preparation of financial statements. The rate of future credit losses may not be similar to past experience.

Inventories. Inventories are stated at the lower of cost or market. Our inventories are accounted for using a variety of methods including specific identification, average cost and the first-in first-out method of accounting. We regularly review inventory on hand and record provisions for damaged and slow-moving inventory based on historical and current sales trends. Changes in product demand and our customer base may affect the value of inventory on hand which may require higher provisions for damaged and slow-moving inventory.

Adjustments made with respect to the inventory valuation allowance often relate to improved information not previously available. Uncertainties with respect to the inventory valuation allowance are inherent in the preparation of financial statements. The rate of future losses associated with damaged or slow moving inventory may not be similar to past experience.

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Combined and Consolidated Results of Operations

The following financial information reflects our historical financial statements. The results of operations data for 2005 includes the Predecessor Company results for the period January 1, 2005 through November 30, 2005 and the Successor Company results for the period May 9, 2005 (date of inception) through December 31, 2005. See Results of Operations 2005 Successor Company and Predecessor Company Results Combined Non-GAAP below for information on our combined results for the fiscal year ended December 31, 2005, combining the results for the Successor Company from May 9, 2005 (date of inception) to December 31, 2005, and the results for the Predecessor Company from January 1, 2005 to November 30, 2005.

	Fiscal Years Ended December 31,						Three Months Ended March 31,			
	2005	**%**	**2006**	**%**	**2007**	**%**	**2007**	**%**	**2008**	**%**
	(in millions, except percentages)									
Net sales	$ 1,639.0	*100.0%*	$ 1,802.9	*100.0%*	$ 1,845.3	*100.0%*	$ 462.6	*100.0%*	$ 489.0	*100.0%*
Cost of sales (exclusive of operating and delivery, and depreciation and amortization shown below)	1,281.8	*78.2%*	1,371.8	*76.1%*	1,418.8	*76.9%*	356.1	*77.0%*	376.6	*77.0%*
Operating and delivery	151.9	*9.3%*	175.5	*9.7%*	178.4	*9.7%*	45.2	*9.8%*	46.5	*9.5%*
Selling, general and administrative	117.8	*7.2%*	115.2	*6.4%*	112.4	*6.1%*	30.4	*6.6%*	29.2	*6.0%*
Depreciation and amortization	4.5	*0.3%*	21.4	*1.2%*	22.1	*1.2%*	5.2	*1.1%*	5.5	*1.1%*
Impairment of property and equipment		*0.0%*		*0.0%*	0.2	*0.0%*	0.2	*0.0%*		*0.0%*
Operating income	83.0	*5.1%*	119.0	*6.6%*	113.4	*6.1%*	25.5	*5.5%*	31.2	*6.4%*
Interest expense	16.1	*1.0%*	54.6	*3.0%*	87.0	*4.7%*	19.4	*4.2%*	25.1	*5.1%*
Loss on debt extinguishment		*0.0%*		*0.0%*	8.4	*0.5%*				
Other (income) expense, net	(0.1)	*0.0%*	(0.7)	*0.0%*	(0.7)	*0.0%*	(0.1)	*0.0%*	(0.1)	*0.0%*
Income before income taxes	$ 67.0	*4.1%*	$ 65.1	*3.6%*	$ 18.7	*1.0%*	$ 6.2	*1.3%*	$ 6.2	*1.3%*

Results of Operations Three Months Ended March 31, 2008 Compared to March 31, 2007

Net sales. Net sales increased $26.4 million, or 5.7%, from $462.6 million for the three months ended March 31, 2007 to $489.0 million for the three months ended March 31, 2008. The Lynch Metals acquisition, which closed on July 2, 2007, contributed $9.7 million of incremental net sales for the three months ended March 31, 2008 compared to the same period of 2007. The remaining net sales increase of $16.7 million was primarily attributable to a 3.9% increase in average realized prices, in addition to a 1.9% increase in volumes, for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups, partially offset by a net sales decrease for our Building Products Group of $8.2 million.

Cost of sales. Cost of sales increased $20.5 million, or 5.8%, from $356.1 million for the three months ended March 31, 2007, to $376.6 million for the three months ended March 31, 2008. The acquisition of Lynch Metals contributed $6.0 million of additional cost of sales for the period. The remaining increase of $14.5 million was primarily attributable to a 3.7% increase in the average cost per ton, in addition to a 1.9% increase in

volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups, partially offset by a $4.0 million decrease in cost of sales for our Building Products Group. Cost of sales as a percentage of net sales remained at 77.0% for the first quarter of 2008 compared to the same period in 2007.

Operating and delivery. Operating and delivery expenses increased $1.3 million, or 2.9%, from $45.2 million for the three months ended March 31, 2007 to $46.5 million for the three months ended March 31, 2008. The Lynch Metals acquisition accounted for $0.3 million of incremental operating and delivery costs during the period. Higher variable costs of $1.0 million associated with increased shipments also contributed to the period-over-period increase. As a percentage of net sales, operating and delivery expenses decreased from 9.8% for the three months ended March 31, 2007 to 9.5% for the three months ended March 31, 2008.

Selling, general and administrative. Selling, general and administrative expenses decreased $1.2 million, or 3.9%, from $30.4 million for the three months ended March 31, 2007 to $29.2 million for the three months ended March 31, 2008. The Lynch Metals acquisition accounted for $0.8 million of increased selling, general and administrative expenses during the period, an amount that was offset by a decrease of $2.0 million, which was primarily attributable to the absence of higher stock-based compensation expense of $3.0 million recognized in the first quarter of 2007 due to the accelerated vesting of stock options in connection with the January 2007 Dividend. As a percentage of net sales, selling, general and administrative expenses decreased from 6.6% for the three months ended March 31, 2007 to 6.0% for the three months ended March 31, 2008.

Depreciation and amortization. Depreciation and amortization expense increased $0.3 million, or 5.8%, from $5.2 million for the three months ended March 31, 2007 to $5.5 million for the three months ended March 31, 2008. The acquisition of Lynch Metals accounted for an increase of $0.9 million for the period, due primarily to the amortization of customer list intangible assets associated with the Lynch Metals acquisition. This increase was partially offset by a decrease of $0.6 million for the period, which resulted primarily from lower amortization of customer list intangible assets recorded in connection with the acquisitions completed in May 2006 and the Merger.

Operating income. Operating income increased $5.7 million, or 22.4%, from $25.5 million for the three months ended March 31, 2007 to $31.2 million for the three months ended March 31, 2008. The Lynch Metals acquisition contributed $1.7 million of additional operating income for the period. The remaining increase of $4.0 million was primarily a result of the increase in net sales, in addition to the decrease in selling, general and administrative expenses attributable to the Corporate segment (both of which are discussed above), offset in part by a $3.8 million increase in the operating loss attributable to our Building Products segment. As a percentage of net sales, operating income increased from 5.5% for the three months ended March 31, 2007 to 6.4% for the three months ended March 31, 2008.

Interest expense. Interest expense increased $5.7 million, or 29.4%, from $19.4 million for the three months ended March 31, 2007 to $25.1 million for the three months ended March 31, 2008. This increase was primarily a function of higher debt levels for the quarter ended March 31, 2008. In July 2007, we issued $300.0 million initial aggregate principal amount of the 2007 Notes, a portion of which were used to redeem the $150.0 million initial aggregate principal amount of the 2006 Notes issued in December 2006. We also recognized a pretax loss of $2.4 million in earnings (interest expense) during the three months ended March 31, 2008, which was primarily due to the change in fair value of our interest rate swap derivatives for a portion of time prior to their qualification for hedge accounting treatment. Other pretax realized gains and losses from derivatives which were recognized in earnings (interest expense) during the three months ended March 31, 2008, subsequent to qualification for hedge accounting treatment, were not material. These increases were partially offset by lower average borrowings and interest rates on our ABL facility. The weighted average interest rate on our ABL facility for the three months ended March 31, 2008, was 5.63%, compared to a weighted average rate of 7.30% for the same period of 2007. In addition, the weighted average outstanding balance on our ABL facility decreased $16.4 million for the quarter ended March 31, 2008 versus the same period of 2007.

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Results of Operations Year Ended December 31, 2007 Compared to 2006

Net sales. Net sales increased $42.4 million, or 2.4%, from $1,802.9 million for the year ended December 31, 2006 to $1,845.3 million for the year ended December 31, 2007. The acquisition of Lynch Metals accounted for $15.6 million of increased sales for the period. Results of operations for the 2006 Acquisitions, which closed in May 2006, were included for the entire year ended December 31, 2007, and as a result, accounted for $25.7 million of increased sales for the year ended December 31, 2007 versus the same period of 2006. The remaining increase of $1.1 million was primarily attributable to a 9.8% increase in average realized prices, partially offset by a 6.7% decrease in volumes for our metal service center businesses and a decline in sales for our building products business of $37.4 million.

Cost of sales. Cost of sales increased $47.0 million, or 3.4%, from $1,371.8 million for the year ended December 31, 2006, to $1,418.8 million for the year ended December 31, 2007. The Lynch Metals acquisition accounted for $9.5 million of additional cost of sales for the period, while the 2006 Acquisitions accounted for $15.6 million of the increase. The remaining increase of $21.9 million was primarily attributable to an 11.2% increase in the average cost per ton, offset in part by a 6.7% decrease in volumes for our metal service center businesses, and by a decrease of $22.6 million in cost of sales for our building products business. Cost of sales as a percentage of net sales increased from 76.1% for the year ended December 31, 2006 to 76.9% for the same period in 2007.

Operating and delivery. Operating and delivery expenses increased $2.9 million, or 1.7%, from $175.5 million for the year ended December 31, 2006 to $178.4 million for the year ended December 31, 2007. The acquisition of Lynch Metals accounted for $0.6 million of additional operating and delivery expenses for the period, while the 2006 Acquisitions accounted for a $6.8 million increase. These increases were partially offset by lower variable costs of $4.5 million associated with decreased shipments. As a percentage of net sales, operating and delivery expenses for 2007 remained level with 2006 at 9.7%.

Selling, general and administrative. Selling, general and administrative expenses decreased $2.8 million, or 2.4%, from $115.2 million for the year ended December 31, 2006 to $112.4 million for the year ended December 31, 2007. The acquisition of Lynch Metals accounted for $1.6 million of increased selling, general and administrative expenses for the period, while the 2006 Acquisitions accounted for a $0.2 million increase. These acquisition increases were offset by a decrease of $4.6 million, which was primarily attributable to lower salaries, incentive compensation and advertising expenses at our Building Products segment, in addition to lower bad debt expense at our Flat Rolled and Non-Ferrous Group. As a percentage of net sales, selling, general and administrative expenses decreased from 6.4% for the year ended December 31, 2006 to 6.1% for the year ended December 31, 2007.

Depreciation and amortization. Depreciation and amortization increased $0.7 million, or 3.3%, from $21.4 million for the year ended December 31, 2006 to $22.1 million for the year ended December 31, 2007. The acquisition of Lynch Metals accounted for $1.7 million of additional depreciation and amortization for the period, while the 2006 Acquisitions accounted for an increase of $1.3 million for the period. These acquisition increases were partially offset by a decrease of $2.3 million, which was primarily attributable to lower amortization of customer list intangible assets (which is recognized on an accelerated basis) recorded in connection with the Merger and the 2006 Acquisitions.

Operating income. Operating income decreased $5.6 million, or 4.7%, from $119.0 million for the year ended December 31, 2006 to $113.4 million for the year ended December 31, 2007. The acquisition of Lynch Metals contributed $2.2 million of operating income for the period, while the 2006 Acquisitions accounted for a $1.8 million increase versus the same period of last year. The remaining decrease of $9.6 million resulted primarily from higher cost of sales, which was driven by an increase in average cost per ton that exceeded the increase in average realized prices for our metal service center businesses, in addition to a decrease in operating income of $10.0 million for our building products business, which was driven by lower net sales and operating costs that increased year-over-year on a percentage of net sales basis. As a percentage of net sales, operating income decreased from 6.6% for the year ended December 31, 2006 to 6.1% for the year ended December 31, 2007.

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Interest expense. Interest expense increased $32.4 million, or 59.3%, from $54.6 million for the year ended December 31, 2006 to $87.0 million for the year ended December 31, 2007. This increase was primarily a function of higher debt levels for the year ended December 31, 2007. In July 2007, we issued $300.0 million initial aggregate principal amount of the 2007 Notes (a portion of the proceeds of which were used to redeem the $150.0 million initial aggregate principal amount of the 2006 Notes issued in December 2006). In addition, during the year ended December 31, 2007, the average daily balance outstanding on our ABL facility was $319.3 million, at a weighted average interest rate of 7.06%, compared to $274.1 million at 7.05% for the comparable period of 2006.

Results of Operations Year Ended December 31, 2006 Compared to 2005

Net sales. Net sales increased $163.9 million, or 10.0%, from $1,639.0 million for the year ended December 31, 2005 to $1,802.9 million for the year ended December 31, 2006. The 2006 Acquisitions accounted for $48.1 million of the increase. The remaining increase of $115.8 million in sales was primarily attributable to a 5.7% increase in average realized prices and a 3.0% increase in volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups offset by a net sales decrease for our Building Products Group of $12.3 million (excluding the acquisition of Allmet).

Cost of sales. Cost of sales increased $90.0 million, or 7.0%, from $1,281.8 million for the year ended December 31, 2005, to $1,371.8 million for the year ended December 31, 2006. The 2006 Acquisitions accounted for $25.0 million of the increase and $10.8 million of the increase related to inventory purchase accounting. The remaining increase in cost of sales was primarily attributable to a 3.3% increase in the average cost per ton in addition to a 3.0% increase in volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups. Cost of sales as a percentage of net sales decreased from 78.2% in 2005 to 76.1% for 2006.

Operating and delivery. Operating and delivery expenses increased $23.6 million, or 15.5%, from $151.9 million for the year ended December 31, 2005 to $175.5 million for the year ended December 31, 2006. The 2006 Acquisitions accounted for $9.7 million of the increase. The remaining increase of $13.9 million was primarily due to higher labor costs and higher freight costs due to rising fuel prices and, to a lesser extent, higher volumes in our Plates and Shapes Group. As a percentage of net sales, operating and delivery expenses increased from 9.3% for the year ended December 31, 2005 to 9.7% for the year ended December 31, 2006.

Selling, general and administrative. Selling, general and administrative expenses decreased $2.6 million, or 2.2%, from $117.8 million for the year ended December 31, 2005 to $115.2 million for the year ended December 31, 2006. This decrease was primarily due to the acceleration of payment of stock-based compensation during 2005 totaling $14.6 million as a result of the Merger. The 2006 Acquisitions accounted for an increase of $3.3 million during 2006. Other increases during 2006 were primarily due to higher salaries and incentive compensation, $3.3 million of personnel and advertising-related costs to improve the Building Products Group s sales and service and expand its presence on a national basis, an increase in bad debt expense of $1.0 million (primarily due to an increase of $1.9 million at our Flat Rolled and Non-Ferrous Group offset by decreases of $0.9 million at our other operating segments), an increase of $1.1 million related to management fees and an increase of $1.2 million in stock-based compensation expense due to the adoption of SFAS 123(R). As a percentage of net sales, selling, general and administrative expenses decreased from 7.2% for the year ended December 31, 2005 to 6.4% for the year ended December 31, 2006.

Depreciation and amortization. Depreciation and amortization increased $16.9 million, from $4.5 million for the year ended December 31, 2005 to $21.4 million for the year ended December 31, 2006. Of this increase, $13.1 million resulted from the revaluation of our long-lived assets as a result of the Merger, $1.9 million was due to increased amortization of customer list intangible assets related to the 2006 Acquisitions, $1.0 million was due to capital investments in facilities and equipment placed in service throughout 2005 and 2006, and $0.9 million was due to increased depreciation related to the 2006 Acquisitions.

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Operating income. Operating income increased $36.0 million, from $83.0 million for the year ended December 31, 2005 to $119.0 million for the year ended December 31, 2006. This increase included $7.3 million of operating income from the 2006 Acquisitions. The remaining increase in operating income resulted from increased volumes and an increase in average realized prices that exceeded the increase in average costs per ton, in addition to lower selling, general and administrative expenses, partially offset by higher operating and delivery costs. As a percentage of net sales, operating income increased from 5.1% for the year ended December 31, 2005 to 6.6% for the year ended December 31, 2006.

Interest expense. Interest expense increased $38.5 million, or 239.1% from $16.1 million for the year ended December 31, 2005 to $54.6 million for the year ended December 31, 2006. This increase was primarily a function of higher debt levels and, to a lesser extent, higher effective interest rates. Our borrowings were significantly different between the two periods due to the Merger that occurred on November 30, 2005, the 2006 Acquisitions financed from our availability under our ABL facility, the $25.0 million dividend paid to stockholders on May 24, 2006, and the issuance of the 2006 Notes.

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Results of Operations by Segment

The results of operations by segment for the fiscal year ended December 31, 2005 includes the Predecessor Company results for the period January 1, 2005 through November 30, 2005 combined with the Successor Company results for the period May 9, 2005 (date of inception) through December 31, 2005. See Results of Operations 2005 Successor Company and Predecessor Company Results Combined Non-GAAP below for information on our combined results for the fiscal year ended December 31, 2005, combining the results for the Successor Company from May 9, 2005 (date of inception) to December 31, 2005, and the results for the Predecessor Company from January 1, 2005 to November 30, 2005.

	Three Months Ended March 31, (dollars in millions)							
	Net Sales	%	Operating Costs and Expenses	%	Operating Income (Loss)	%	Capital Spending	Tons Shipped(1)
2008:								
Plates and Shapes	$ 249.6	*51.0%*	$ 221.2	*48.3%*	$ 28.4	*91.0%*	$ 2.1	220
Flat Rolled and Non-Ferrous	216.0	*44.2%*	201.1	*43.9%*	14.9	*47.8%*	0.3	168
Building Products	26.1	*5.3%*	31.8	*7.0%*	(5.7)	*(18.3)%*	0.3	
Corporate and other	(2.7)	*(0.5)%*	3.7	*0.8%*	(6.4)	*(20.5)%*	0.1	(2)
Total	$ 489.0	*100.0%*	$ 457.8	*100.0%*	$ 31.2	*100.0%*	$ 2.8	386
2007:								
Plates and Shapes	$ 221.0	*47.8%*	$ 197.5	*45.2%*	$ 23.5	*92.2%*	$ 4.1	212
Flat Rolled and Non-Ferrous	211.5	*45.7%*	197.6	*45.2%*	13.9	*54.5%*	0.6	168
Building Products	34.3	*7.4%*	36.2	*8.3%*	(1.9)	*(7.5)%*	0.6	
Corporate and other	(4.2)	*(0.9)%*	5.8	*1.3%*	(10.0)	*(39.2)%*	0.2	(3)
Total	$ 462.6	*100.0%*	$ 437.1	*100.0%*	$ 25.5	*100.0%*	$ 5.5	377

	Fiscal Years Ended December 31, (dollars in millions)							
	Net Sales	%	Operating Costs and Expenses	%	Operating Income (Loss)	%	Capital Spending	Tons Shipped(1)
2007:								
Plates and Shapes	$ 889.7	*48.2%*	$ 796.9	*46.0%*	$ 92.8	*81.8%*	$ 16.6	826
Flat Rolled and Non-Ferrous	817.7	*44.3%*	767.6	*44.3%*	50.1	*44.2%*	2.9	614
Building Products	152.4	*8.3%*	152.7	*8.8%*	(0.3)	*(0.3)%*	1.6	
Corporate and other	(14.5)	*(0.8)%*	14.7	*0.9%*	(29.2)	*(25.7)%*	0.4	(11)
Total	$ 1,845.3	*100.0%*	$ 1,731.9	*100.0%*	$ 113.4	*100.0%*	$ 21.5	1,429
2006:								
Plates and Shapes	$ 856.6	*47.5%*	$ 760.7	*45.2%*	$ 95.9	*80.6%*	$ 11.1	843
Flat Rolled and Non-Ferrous	776.0	*43.1%*	731.7	*43.4%*	44.3	*37.2%*	2.8	680
Building Products	189.8	*10.5%*	180.1	*10.7%*	9.7	*8.2%*	2.7	
Corporate and other	(19.5)	*(1.1)%*	11.4	*0.7%*	(30.9)	*(26.0)%*	0.3	(18)
Total	$ 1,802.9	*100.0%*	$ 1,683.9	*100.0%*	$ 119.0	*100.0%*	$ 16.9	1,505
2005:								
Plates and Shapes	$ 694.7	*42.4%*	$ 626.3	*40.2%*	$ 68.4	*82.4%*	$ 13.7	740
Flat Rolled and Non-Ferrous	770.9	*47.0%*	735.4	*47.3%*	35.5	*42.8%*	2.5	723
Building Products	195.1	*11.9%*	178.3	*11.5%*	16.8	*20.2%*	3.2	
Corporate and other	(21.7)	*(1.3)%*	16.0	*1.0%*	(37.7)	*(45.4)%*	0.9	(24)

Total	$ 1,639.0	*100.0%*	$ 1,556.0	*100.0%*	$ 83.0	*100.0%*	$ 20.3	1,439

(1) Shipments are expressed in thousands of tons and are not an appropriate measure for the Building Products Group.

Segment Results Three Months Ended March 31, 2008 Compared to March 31, 2007

Plates and Shapes. Net sales increased $28.6 million, or 12.9%, from $221.0 million for the three months ended March 31, 2007 to $249.6 million for the three months ended March 31, 2008. The increase was primarily attributable to an 8.8% increase in average realized prices, in addition to a 3.8% increase in shipments for the three months ended March 31, 2008, compared to the three months ended March 31, 2007.

Operating costs and expenses increased $23.7 million, or 12.0%, from $197.5 million for the three months ended March 31, 2007 to $221.2 million for the three months ended March 31, 2008. The increase was primarily attributable to a 9.1% increase in the average cost per ton, in addition to a 3.8% increase in shipments for the three months ended March 31, 2008, compared to the three months ended March 31, 2007.

Operating income increased by $4.9 million, or 20.9%, from $23.5 million for the three months ended March 31, 2007 to $28.4 million for the three months ended March 31, 2008. The increase primarily resulted from higher net sales which were driven by an increase in average realized prices, in addition to increased shipments, as discussed above. Operating income as a percentage of net sales increased from 10.6% for the three months ended March 31, 2007 to 11.4% for the three months ended March 31, 2008.

Flat Rolled and Non-Ferrous. Net sales increased $4.5 million, or 2.1%, from $211.5 million for the three months ended March 31, 2007 to $216.0 million for the three months ended March 31, 2008. The Lynch Metals acquisition contributed $9.7 million of net sales for the quarter ended March 31, 2007. This increase was partially offset by a $5.2 million decrease in net sales attributable to the remainder of the segment, excluding Lynch Metals, which was driven by a 1.3% decrease in average sales price per ton, in addition to a 1.2% decrease in shipments. Consistent with our pattern for pricing actions in recent years, we elected to reduce sales volume in an effort to maintain our level of profitability in an extremely competitive market. We increased our sales of non-ferrous products in the first quarter of 2008. Sales of non-ferrous products accounted for 46.1% of the segment s sales product mix for the first quarter of 2008, compared to 44.3% for the first quarter of 2007.

Operating costs and expenses increased $3.5 million, or 1.8%, from $197.6 million for the three months ended March 31, 2007 to $201.1 million for the three months ended March 31, 2008. The Lynch Metals acquisition added $8.0 million of operating costs and expenses for the first quarter of 2008. The remaining decrease was attributable to a decrease in the average cost per ton of 1.2%, in addition to a decrease in volumes of 1.2%. Operating costs and expenses as a percentage of net sales decreased from 93.4% for the three months ended March 31, 2007 to 93.1% for the three months ended March 31, 2008.

Operating income increased by $1.0 million, or 7.2%, from $13.9 million for the three months ended March 31, 2007 to $14.9 million for the three months ended March 31, 2008. The Lynch Metals acquisition accounted for $1.7 million of operating income for the first quarter of 2008. The remaining decrease of $0.7 million was primarily attributable to the decrease in net sales and the decrease in operating costs and expenses discussed above. Operating income as a percentage of net sales increased from 6.6% for the three months ended March 31, 2007 to 6.9% for the three months ended March 31, 2008.

Building Products. Net sales decreased $8.2 million, or 23.9%, from $34.3 million for the three months ended March 31, 2007 to $26.1 million for the three months ended March 31, 2008. The sales decrease was driven by lower sales of existing homes and lower housing starts, both of which impact residential remodeling activity. Both of these housing indicators were down for the first quarter of 2008 versus the same period from a year ago. Consumer spending on residential remodeling has decreased dramatically due to the depreciation of homes, lower limits on home equity loans and decreased access to affordable credit for homeowners and residential remodeling contractors. These factors have led to continued softness in the residential remodeling market and negative growth in our Building Products Group.

Operating costs and expenses decreased $4.4 million, or 12.2%, from $36.2 million for the three months ended March 31, 2007 to $31.8 million for the three months ended March 31, 2008. The decrease was primarily due to lower sales volume and a decrease in variable costs related to lower market demand. Despite the decrease in sales volume, operating costs and expenses as a percentage of net sales increased from 105.6% for the three months ended March 31, 2007 to 121.8% for the three months ended March 31, 2008. The increase as a percentage of net sales was in part due to $2.6 million of additional costs incurred during the first quarter of 2008. These costs consisted of $0.7 million of which was accelerated depreciation related to leasehold improvements on our Houston, Texas manufacturing facility, and the remaining $1.9 million of which was primarily facility closure and other related charges, to close several underperforming sales center locations, in addition to the Houston manufacturing facility, as management has continued to focus on cost reduction in order to mitigate the impact of lower operating levels resulting from the market downturn.

Operating loss increased by $3.8 million, or 200.0%, from $1.9 million for the three months ended March 31, 2007 to $5.7 million for the three months ended March 31, 2008. The increase was primarily attributable to the decline in net sales discussed above, which exceeded the rate of decline in operating costs and expenses. Operating loss as a percentage of net sales increased from 5.5% for the three months ended March 31, 2007 to 21.8% for the three months ended March 31, 2008.

Corporate and other. This category reflects certain administrative costs and expenses management has not allocated to its industry segments. These costs include compensation for executive officers, insurance, professional fees for audit, tax and legal services and data processing expenses. The negative net sales amount represents the elimination of intercompany sales. The operating loss decreased $3.6 million, or 36.0%, from $10.0 million for the three months ended March 31, 2007 to $6.4 million for the three months ended March 31, 2008. The decrease was primarily attributable to the absence of higher stock-based compensation expense of $3.0 million recognized in the first quarter of 2007 due to the accelerated vesting of stock options in connection with the January 2007 Dividend, in addition to lower employee benefit costs.

Segment Results Year Ended December 31, 2007 Compared to 2006

Plates and Shapes. Net sales increased $33.1 million, or 3.9%, from $856.6 million for the year ended December 31, 2006 to $889.7 million for the year ended December 31, 2007. Results of operations for the 2006 Acquisition of Port City, which closed in May 2006, were included for the entire year ended December 31, 2007, and as a result, accounted for $25.9 million of increased sales for the year ended December 31, 2007 versus the same period of 2006. Apart from the increase attributable to Port City, net sales for the remainder of the segment increased $7.2 million, or 0.9%, primarily due to a 5.8% increase in average realized prices, partially offset by a 4.6% decrease in shipments, for the year ended December 31, 2007 compared to the year ended December 31, 2006.

Operating costs and expenses increased $36.2 million, or 4.8%, from $760.7 million for the year ended December 31, 2006 to $796.9 million for the year ended December 31, 2007. The 2006 Acquisition of Port City accounted for $22.7 million of the increase. In addition, average cost per ton increased by 7.1%, which was partially offset by a 4.6% decrease in shipments for the year ended December 31, 2007. Operating costs and expenses as a percentage of segment net sales increased from 88.8% for the year ended December 31, 2006 to 89.6% for the year ended December 31, 2007.

Operating income decreased by $3.1 million, or 3.2%, from $95.9 million for the year ended December 31, 2006 to $92.8 million for the year ended December 31, 2007. The 2006 Acquisition of Port City accounted for $3.2 million of increased operating income for the year ended December 31, 2007 versus the same period of 2006. The remaining decrease of $6.3 million was primarily attributable to the increase in operating costs and expenses discussed above. Operating income as a percentage of segment net sales decreased from 11.2% for the year ended December 31, 2006 to 10.4% for the year ended December 31, 2007.

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Flat Rolled. Net sales increased $41.7 million, or 5.4%, from $776.0 million for the year ended December 31, 2006 to $817.7 million for the year ended December 31, 2007. The acquisition of Lynch Metals contributed $15.6 million of additional net sales for the year ended December 31, 2007. The remaining increase of $26.1 million was primarily due to a 15.0% increase in the average sales price per ton, partially offset by a 10.1% decrease in shipments for the year ended December 31, 2007 compared to the year ended December 31, 2006, as we elected to reduce sales volume to maintain our level of profitability. Sales of non-ferrous products accounted for 48% of the segment s sales product mix for the year ended December 31, 2007, compared to 39% for the same period of 2006.

Operating costs and expenses increased $35.9 million, or 4.9%, from $731.7 million for the year ended December 31, 2006 to $767.6 million for the year ended December 31, 2007. The acquisition of Lynch Metals accounted for $13.4 million of additional operating costs and expenses for the year ended December 31, 2007. The remaining increase of $22.5 million was mostly attributable to an increase in the cost of raw materials of 16.0%, partially offset by a 10.1% decrease in shipments for the year ended December 31, 2007. Operating costs and expenses as a percentage of segment net sales decreased from 94.3% for the year ended December 31, 2006 to 93.9% for the year ended December 31, 2007.

Operating income increased by $5.8 million, or 13.1%, from $44.3 million for the year ended December 31, 2006 to $50.1 million for the year ended December 31, 2007. The acquisition of Lynch Metals contributed $2.2 million of operating income for the year ended December 31, 2007. The balance of the increase was primarily attributable to the increase in net sales discussed above, which, despite the decrease in shipments, produced higher margins due to the shift in product mix to more non-ferrous products. Operating income as a percentage of segment net sales increased from 5.7% for the year ended December 31, 2006 to 6.1% for the year ended December 31, 2007.

Building Products. Net sales decreased $37.4 million, or 19.7%, from $189.8 million for the year ended December 31, 2006 to $152.4 million for the year ended December 31, 2007. Results of operations for the 2006 Acquisition of Allmet, which was acquired in May 2006, were included for the entire year ended December 31, 2007, and as a result, accounted for $0.2 million of decreased sales for the year ended December 31, 2007 versus the same period of 2006. New house production and existing home sales, both of which are primary drivers of residential remodeling activity, were down for the year ended December 31, 2007 versus the same period of 2006. The softness in the residential remodeling market, which was affected by declines in existing home sales and new house production, contributed to the period-over-period net sales decrease for our Building Products Group.

Operating costs and expenses decreased $27.4 million, or 15.2%, from $180.1 million for the year ended December 31, 2006 to $152.7 million for the year ended December 31, 2007. The 2006 Acquisition of Allmet accounted for $1.2 million of increased costs, which was offset by lower operating costs and expenses associated with lower sales volumes, in addition to certain initiatives the segment has taken in response to the downturn in the housing and residential remodeling markets, including reductions in square footage under lease, standardization of metal sales center layouts, and manufacturing consolidation. Operating costs and expenses as a percentage of segment net sales increased from 94.9% for the year ended December 31, 2006 to 100.2% for the year ended December 31, 2007.

Operating income decreased by $10.0 million, or 103.1%, from operating income of $9.7 million for the year ended December 31, 2006 to an operating loss of $0.3 million for the year ended December 31, 2007. The 2006 Acquisition of Allmet accounted for $1.4 million of the year-over-year decrease. The remainder of the decrease was primarily attributable to the reductions in sales volumes discussed above.

Corporate and other. This category reflects certain administrative costs and expenses management has not allocated to its industry segments. These costs include compensation for executive officers, insurance, professional fees for audit, tax and legal services and data processing expenses. The negative net sales amount

represents the elimination of intercompany sales. The operating loss decreased $1.7 million, or 5.5%, from $30.9 million for the year ended December 31, 2006 to $29.2 million for the year ended December 31, 2007. This decrease was primarily attributable to lower insurance expense due to favorable trends in workers compensation claims, lower amortization of the customer list intangible asset recorded in connection with the Merger, which decreases over the useful life and economic value of the intangible asset, in addition to lower employee benefit costs and lower incentive compensation. The decrease was partially offset by $3.6 million of higher stock-based compensation expense due to the accelerated vesting of stock options and partial settlement of existing stock option awards in connection with the January 2007 dividend and July 2007 dividends paid by Metals USA Holdings to its stockholders.

Segment Results Year Ended December 31, 2006 Compared to 2005

Plates and shapes. Net sales increased $161.9 million, or 23.3%, from $694.7 million for the year ended December 31, 2005 to $856.6 million for the year ended December 31, 2006. The 2006 Acquisition of Port City accounted for $41.1 million of the increase. The remaining increase of $120.8 million was primarily due to a 5.9% increase in the average sales price per ton and a 10.8% increase in shipments for the year ended December 31, 2006 compared to the year ended December 31, 2005.

Operating costs and expenses increased $134.4 million, or 21.5%, from $626.3 million for the year ended December 31, 2005 to $760.7 million for the year ended December 31, 2006. The 2006 Acquisition of Port City accounted for $35.1 million of the increase. The remaining increase of $99.3 million was primarily attributable to the higher volumes of 10.8%, higher cost of raw materials of 4.8%, and additional costs of $6.3 million related to purchase accounting. Operating costs and expenses as a percentage of net sales decreased from 90.1% for the year ended December 31, 2005 to 88.8% for the year ended December 31, 2006.

Operating income increased by $27.5 million, from $68.4 million for the year ended December 31, 2005 to $95.9 million for the year ended December 31, 2006. The 2006 Acquisition of Port City accounted for $6.0 million of the increase. Operating income as a percentage of net sales increased from 9.8% for the year ended December 31, 2005 to 11.2% for the year ended December 31, 2006.

Flat rolled and non-ferrous. Net sales increased $5.1 million, or 0.6%, from $770.9 million for the year ended December 31, 2005 to $776.0 million for the year ended December 31, 2006. This increase was primarily due to a 7.0% increase in the average sales price per ton partially offset by a 5.9% decrease in shipments. Although prices were generally improving throughout the first three quarters of 2006, the ferrous Flat Rolled business remained competitive during the fourth quarter and, as a result, we elected to reduce sales volume to maintain our level of profitability. Sales of non-ferrous products accounted for approximately 39% of the segment s sales product mix for 2006, compared to 32% for 2005.

Operating costs and expenses decreased $3.7 million, or 0.5%, from $735.4 million for the year ended December 31, 2005 to $731.7 million for the year ended December 31, 2006. This decrease was attributable to a decrease in volumes of 5.9%, offset by an increase in the cost of raw materials of 4.3%, a $6.2 million cost related to purchase accounting and an increase in bad debt expense of $1.9 million. Operating costs and expenses as a percentage of net sales decreased from 95.4% for the year ended December 31, 2005 to 94.3% for the year ended December 31, 2006.

Operating income increased by $8.8 million, from $35.5 million for the year ended December 31, 2005 to $44.3 million for the year ended December 31, 2006. This increase was primarily attributable to larger margins due to an increase in the average selling price per ton. Operating income as a percentage of net sales increased from 4.6% for the year ended December 31, 2005 to 5.7% for the year ended December 31, 2006.

Building products. Net sales decreased $5.3 million, or 2.7%, from $195.1 million for the year ended December 31, 2005 to $189.8 million for the year ended December 31, 2006, primarily due to Florida markets that have not returned to normal volumes following a 2005 surge in post-hurricane damage remediation. The decrease was partially offset by the 2006 Acquisition of Allmet, which accounted for $7.0 million of sales during the period.

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Operating costs and expenses increased $1.8 million, or 1.0%, from $178.3 million for the year ended December 31, 2005 to $180.1 million for the year ended December 31, 2006. The 2006 Acquisition of Allmet accounted for $5.7 million of increased costs. This increase was offset by a decrease of $3.9 million attributable to a decrease in cost of sales due to reduced volumes, and increased margins, offset by a $3.3 million cost related to purchase accounting and increased costs of $3.3 million related to personnel and advertising costs to improve the Building Products Group s sales and service and expand its presence on a national basis. Operating costs and expenses as a percentage of net sales increased from 91.4% for the year ended December 31, 2005 to 94.9% for the year ended December 31, 2006 for the reasons discussed above.

Operating income decreased by $7.1 million, from $16.8 million for the year ended December 31, 2005 to $9.7 million for the year ended December 31, 2006. The 2006 Acquisition of Allmet accounted for $1.3 million of operating income. The remaining decrease of $8.4 million is primarily due to the $3.3 million cost related to inventory purchase accounting, the additional costs to improve Building Products Group s sales and services and expand its presence on a national basis, in addition to lower volumes. Operating income as a percentage of net sales decreased from 8.6% for the year ended December 31, 2005 to 5.1% for the year ended December 31, 2006.

Corporate and other. This category reflects certain administrative costs and expenses management has not allocated to its industry segments. These costs include compensation for executive officers, insurance, professional fees for audit, tax and legal services and data processing expenses. The negative net sales amount represents the elimination of intercompany sales. The operating loss decreased $6.8 million, from $37.7 million for the year ended December 31, 2005 to $30.9 million for the year ended December 31, 2006. This decrease was primarily due to the acceleration of payment of stock-based compensation during 2005 totaling $14.6 million as a result of the Merger. Partially offsetting this decrease were increases during 2006 due to a full year of amortization of customer list intangible assets recorded in 2005 in connection with the Merger, a full year of management fees incurred in connection with the Merger, and increased stock-based compensation expense due to the adoption of SFAS 123(R).

Liquidity and Capital Resources

Our primary sources of liquidity are borrowings under the ABL facility and our cash flow from operations. At March 31, 2008, we had $334.0 million drawn on the ABL facility, our borrowing availability was $135.9 million and we had available cash of $22.5 million. We anticipate that in connection with our offer to repurchase the 2007 Notes, with the net proceeds of this offering, our interest expense will reduced by approximately $ per year. We, however, cannot assure you that our offer will be accepted. To the extent not accepted, the net proceeds of this offering will be available for general corporate purposes. Our borrowing availability fluctuates daily with changes in eligible accounts receivables and inventory, less outstanding borrowings and letters of credit. See Financing Activities below.

Operating and Investing Activities

Although we do not produce any metal, our financial performance is affected by changes in metal prices. When metal prices rise, the prices at which we are able to sell our products generally increase over their historical costs; accordingly, our working capital (which consists primarily of accounts receivable and inventory) tends to increase in a rising price environment. Conversely, when metal prices fall, our working capital tends to decrease. Our working capital (current assets less current liabilities) increased from $506.3 million at December 31, 2007 to $569.1 million at March 31, 2008.

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, primarily to benefit from early- payment discounts that are substantially higher than our cost of incremental debt. As a result, when metal prices are rising, we tend to draw more on the ABL facility to cover the cash flow cycle from material purchase to cash collection. When metal prices fall, we can replace our inventory at lower cost and, thus, generally do not need to access the ABL facility as much to cover the cash flow cycle. We believe our cash flow from operations, supplemented with the cash available under the ABL facility, will provide sufficient liquidity to meet the challenges and obligations we face during the current metal price environment. Additionally, we intend to look for value-added businesses that we can acquire at reasonable prices. We intend to use cash flows from operations and excess cash available under the ABL facility to fund future acquisitions.

Cash Flows

The following discussion of the principal sources and uses of cash should be read in conjunction with our Consolidated Statements of Cash Flows which are set forth under Consolidated Financial Statements.

The year ended December 31, 2005 includes the combined results for the Successor Company from May 9, 2005 (date of inception) to December 31, 2005, and the Predecessor Company from January 1, 2005 to November 30, 2005. See Results of Operations 2005 Successor Company and Predecessor Company Results Combined Non-GAAP below for information on our combined results for the fiscal year ended December 31, 2005, combining the results for the Successor Company from May 9, 2005 (date of inception) to December 31, 2005, and the results for the Predecessor Company from January 1, 2005 to November 30, 2005.

Three Months Ended March 31, 2008

During the three months ended March 31, 2008, net cash used in operating activities was $40.8 million. This amount represents net income, adjusted for costs that did not involve cash flows for the period, of $9.9 million, in addition to changes in operating assets and liabilities that resulted in a cash outflow of $50.7 million for the period, an amount that was primarily attributable to increases in accounts receivable and inventories, partially offset by increases in accounts payable and accrued liabilities. During the three months ended March 31, 2007, net cash provided by operating activities was $8.0 million. This amount represents net income, adjusted for costs that did not involve cash flows for the period, of $14.1 million, offset by changes in operating assets and liabilities that resulted in a cash outflow of $6.1 million for the period, an amount that was primarily attributable to increases in accounts receivable and inventories, partially offset by increases in accounts payable and accrued liabilities.

Net cash used in investing activities was $2.7 million for the three months ended March 31, 2008, and consisted primarily of $2.8 million of purchases of assets. For the three months ended March 31, 2008, the most significant internal capital project was the expansion of our Plates and Shapes facility in Waggaman, Louisiana. Net cash used in investing activities was $5.4 million for the three months ended March 31, 2007, and consisted primarily of $5.5 million of purchases of assets. For the three months ended March 31, 2007, the most significant internal capital project was the expansion of our Plates and Shapes facility in Waggaman, Louisiana.

Net cash provided by financing activities was $52.4 million for the three months ended March 31, 2008, and consisted primarily of net borrowings on the ABL facility of $53.5 million. Net cash used in financing activities was $146.0 million for the three months ended March 31, 2007, and consisted primarily of dividends paid of $148.9 million, partially offset by net borrowings on the ABL facility of $3.0 million.

Year Ended December 31, 2007

During the year ended December 31, 2007, net cash provided by operating activities was $119.2 million. This amount represents net income, adjusted for costs that did not involve cash flows for the period, of $54.2 million, plus changes in operating assets and liabilities that resulted in a cash inflow of $65.0 million for the period, an amount that was primarily attributable to decreases in inventories and accounts receivable.

Net cash used in investing activities was $58.5 million for the year ended December 31, 2007, and consisted primarily of $21.5 million of purchases of assets and $38.2 million for the acquisition of Lynch Metals. For the year ended December 31, 2007, the most significant internal capital project was the expansion of our Plates and Shapes facility in Waggaman, Louisiana.

Net cash used in financing activities was $202.9 million for the year ended December 31, 2007, and consisted primarily of dividends paid to our stockholders of $288.5 million, in addition to repayments of long-term debt of $150.7 million ($150.0 million in connection with the repayment of the 2006 Notes) and net repayments on the ABL facility of $48.5 million, partially offset by $291.0 million of proceeds received from the issuance of the 2007 Notes.

Year Ended December 31, 2006

During the year ended December 31, 2006, net cash used in operating activities was $45.7 million. This amount represents net income, adjusted for costs that did not involve cash flows for the period, of $63.2 million, offset by changes in operating assets and liabilities that resulted in a cash outflow of $108.9 million for the period, an amount that was primarily attributable to increases in accounts receivable and inventories, partially offset by a decrease in prepaid expenses and increases in accounts payable and accrued liabilities.

Net cash used in investing activities was $61.0 million for the year ended December 31, 2006, and consisted of $1.6 million of proceeds from the sale of assets, offset by $16.9 million of purchases of assets and the $45.7 million for the purchase of Port City and Dura-Loc. These purchases were strategic acquisitions in our Plates and Shapes and Building Products segments. For the year ended December 31, 2006, the most significant internal capital projects included the expansion of our non-ferrous Germantown, Wisconsin facility and the installation of new processing equipment in our facility in Waggaman, Louisiana.

Net cash provided by financing activities was $251.2 million for the year ended December 31, 2006 and consisted primarily of $144.8 million of proceeds from the issuance of the 2006 Notes, in addition to net borrowings on the ABL facility of $137.6 million, offset by the $25.0 million payment of a cash dividend to our stockholders.

Combined Year Ended December 31, 2005

The year ended December 31, 2005 includes the combined results for the Successor Company from May 9, 2005 (date of inception) to December 31, 2005, and the Predecessor Company from January 1, 2005 to November 30, 2005.

During the year ended December 31, 2005, net cash by operating activities was $177.4 million. We had operating income of $83.0 million in 2005, and $116.5 million of cash was provided by the reduction of inventory and collection of accounts receivable.

Net cash used by investing activities for the year ended December 31, 2005 was $450.3 million and consisted of Flag Intermediate s acquisition of Metals USA pursuant to the Merger for $430.1 million and the purchase of assets of $20.3 million, which was partially offset by the sales of assets of $0.1 million. The most significant capital investments during the year included an acquisition of new laser cutting equipment at our Plates and Shapes facility in Waggaman, Louisiana, the expansion of our Plates and Shapes facility in Greensboro, North Carolina, and the purchase of the building housing our Plates and Shapes business in Newark, New Jersey.

Net cash provided by financing activities was $317.8 million for year ended December 31, 2005 and consisted primarily of the proceeds from the issuance of the Metals USA Notes, $191.4 million of borrowings under our ABL facility, and the capital contribution from Flag Intermediate of $134.0 million. These were partially offset by payments of $107.7 million under our previous credit facility and the final payment of $145.3 million to payoff and terminate that facility as a result of the Merger.

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Financing Activities

The ABL Facility

The ABL facility permits us to borrow on a revolving basis through November 30, 2011. Substantially all of our subsidiaries are borrowers under the ABL facility.

On June 8, 2007, we executed an amendment to the ABL facility, which we refer to as the June 2007 amendment, which increased the commitment from $450.0 million to $525.0 million, comprised of $500.0 million of Tranche A Commitments and $25.0 million of Tranche A-1 Commitments. Additionally, the June 2007 amendment reduced the borrowing cost on the Tranche A facility by 25 basis points, reduced the borrowing cost on the Tranche A-1 facility by 75 basis points and gave us the option to increase the Tranche A Commitments by $100.0 million. The June 2007 amendment did not have any impact on our covenant compliance. Costs incurred in connection with the June 2007 amendment totaled $1.6 million, and are being amortized over the existing term of the ABL facility, which expires November 30, 2011.

Borrowing base. The maximum availability under the ABL facility is based on eligible receivables and eligible inventory, subject to certain reserves. Our borrowing availability fluctuates daily with changes in eligible receivables and inventory, less outstanding borrowings and letters of credit. The borrowing base is equal to the lesser of (a) the aggregate amount of the Tranche A Commitments and the Tranche A-1 Commitments and (b) the sum of:

- 85% of the net amount of eligible accounts receivable;

- the lesser of (x) 70% of the lesser of the original cost or market value of eligible inventory and (y) 90% of the net orderly liquidation value of eligible inventory; and

- at all times prior to the termination of the Tranche A-1 Commitments, the sum of 5% of the net amount of eligible accounts receivable and 5% of the net orderly liquidation value of eligible inventory.

Initial borrowings under the ABL facility were used to repay the outstanding amounts drawn under our existing revolving credit facility and to fund other costs and expenses related to the Merger. The loan and security agreement governing the ABL facility provides for up to $15.0 million of swing-line loans and up to $100.0 million for the issuance of letters of credit. Both the face amount of any outstanding letters of credit and any swing-line loans will reduce borrowing availability under the ABL facility on a dollar-for-dollar basis.

As of March 31, 2008, we had eligible collateral of $485.2 million, $334.0 million in outstanding advances, $15.2 million in open letters of credit and $135.9 million in additional borrowing capacity.

In May 2006, we used $36.3 million and $9.4 million of funds from the ABL facility to acquire the net assets of Port City and Allmet, respectively. Also in May 2006, we paid the May 2006 dividend in the amount of $25.0 million to our stockholders, which was funded by the ABL facility.

In January 2007, we used the net proceeds from the issuance of the 2006 Notes, as well as $8.2 million of additional borrowings under the ABL facility, to pay a cash dividend of approximately $144.8 million to our stockholders, to make a cash payment (partially in lieu of the cash dividend) of $4.2 million to our vested stock option holders, and to pay fees and expenses related to the issuance of the 2006 Notes, including a $1.5 million non-recurring transaction fee to Apollo.

In July 2007, we purchased the business operations of Lynch Metals for approximately $42.4 million. The purchase price was funded by borrowings under the ABL facility, $38.4 million of which was paid at closing, and approximately $4.0 million of which is deferred and will be paid in various installments over a period of two years from the closing date.

Also in July 2007, we issued $300.0 million initial aggregate principal amount of the 2007 Notes. The net proceeds from the issuance of the 2007 Notes, as well as approximately $8.3 million of additional borrowings under the ABL facility, were used to redeem the 2006 Notes (for approximately $150.0 million plus accrued and unpaid interest of approximately $5.4 million), to pay a cash dividend of approximately $130.3 million to our stockholders, which include Apollo and certain members of management, to make a cash payment (partially in lieu of the cash dividend) of approximately $9.2 million to our stock option holders, which include certain members of our management, and to pay fees and expenses related to the offering of the 2007 Notes.

Guarantees and security. Substantially all of our subsidiaries are defined as borrowers under the loan and security agreement governing the ABL facility. The obligations under the ABL facility are guaranteed by Flag Intermediate and certain of our domestic subsidiaries and are secured (i) on a first-priority lien basis by our, the other borrowers and the guarantors accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto and (ii) on a second-priority lien basis by substantially all of our, the other borrowers and the guarantors other assets, subject to certain exceptions and permitted liens.

Interest rate and fees. Interest is calculated based upon a margin over reference rates. The marginal rates vary with our financial performance as measured by the FCCR. The FCCR is determined by dividing (i) the sum of adjusted EBITDA minus income taxes paid in cash minus non-financed capital expenditures by (ii) the sum of certain distributions paid in cash, cash interest expense and scheduled principal reductions on debt.

The interest rates with respect to loans utilizing the Tranche A Commitments are, at our option, (i) the higher of (a) the prime rate of Credit Suisse in effect at its principal office in New York City and (b) the federal funds effective rate plus 0.5%, plus, in each case, an applicable margin ranging between -0.25% and -0.50% as determined in accordance with the loan and security agreement governing the ABL facility or (ii) the rate (as adjusted for statutory reserves) for Eurodollar deposits for one, two, three, six or, if agreed to by all lenders under the loan and security agreement, nine or twelve months, as selected by us, determined by reference to the British Bankers Association Interest Settlement Rates, plus an applicable margin ranging between 1.00% and 1.75% as determined in accordance with the loan and security agreement governing the ABL facility.

The interest rates with respect to loans utilizing the Tranche A-1 Commitments are, at our option, (i) the higher of (a) the prime rate of Credit Suisse in effect at its principal office in New York City and (b) the federal funds effective rate plus 0.5%, in each case plus an applicable margin of 0.75% or (ii) the rate (as adjusted for statutory reserves) for Eurodollar deposits for one, two, three, six or, if agreed to by all lenders under the loan and security agreement, nine or twelve months, as selected by us, determined by reference to the British Bankers Association Interest Settlement Rates, plus an applicable margin of 2.75%.

A commitment fee is payable on any unused commitments under the ABL facility of 0.25% per annum. The applicable base rate and the effective London Interbank Offered Rate, which we refer to as LIBOR, were 5.25% and 2.69%, respectively, at March 31, 2008.

Certain covenants. The ABL facility contains customary representations, warranties and covenants, including limitations on our ability to incur or guarantee additional debt, subject to certain exceptions, pay dividends, or make redemptions and repurchases with respect to capital stock, to repay debt, create or incur certain liens, make certain loans or investments, make acquisitions or investments, engage in mergers, acquisitions, asset sales and sale lease-back transactions, and engage in certain transactions with affiliates. In addition, the ABL facility requires a lock-box arrangement, which, as long as borrowing availability is greater than or equal to $45.0 million and in the absence of default, is controlled by Metals USA. As long as our borrowing availability is $45.0 million or greater, we do not have to maintain a minimum FCCR. Should borrowing availability fall below $45.0 million, we must maintain an FCCR of at least 1.0 to 1.0. In addition, it is a precondition to borrowing under the ABL facility that, at the time of borrowing after giving effect thereto, all other representations and warranties made in the ABL facility loan documents shall be correct in all material respects, no default shall have occurred and be continuing and no material adverse effect shall have occurred or exist.

Additionally, management and consulting fees paid are limited to the greater of $3.0 million or 3% of adjusted EBITDA per fiscal year provided borrowing availability exceeds $25.0 million (plus unpaid amounts for the prior fiscal year) or $40 million to the extent such payments would exceed $3 million in any fiscal year. Further, distributions in respect of capital stock are generally limited to the payment of up to $25.0 million, plus $5.0 million for each full fiscal quarter (with any amount not used in any fiscal quarter being permitted to be used in succeeding fiscal quarters), plus 50% of cumulative consolidated net income, or if a loss, minus 100% of the amount thereof, plus 100% of the aggregate net proceeds received by us from certain sales and issuances of capital stock or from certain capital contributions, of dividends, provided that borrowing availability is greater than or equal to $50.0 million, the FCCR is at least 1.0 to 1.0 and no default exists.

The ABL facility contains events of default with respect to default in payment of principal when due, default in the payment of interest, fees or other amounts after a specified grace period, default in the performance of specified covenants, a default under any indebtedness with a principal amount in excess of a specified amount which would cause to be accelerated or permit the holders to accelerate such indebtedness, certain bankruptcy events, invalidity of certain security agreements or guarantees, material judgments or a change of control. If an event of default occurs under the agreement, the lenders may: (1) restrict the amount of or refuse to make revolving loans; (2) cause customer receipts to be applied against borrowings under the ABL facility, causing the Company to suffer a rapid loss of liquidity and the ability to operate on a day-to-day basis; (3) restrict or refuse to provide letters of credit; (4) terminate the commitments and the agreement; and/or (5) declare any or all obligations to be immediately due and payable. Any payment default after final maturity or acceleration under the ABL facility would also result in a default under the Metals USA Notes and 2007 Notes that would provide the holders of the Metals USA Notes and 2007 Notes with the right to demand immediate repayment.

Interest Rate Swaps. In February 2008, $250.0 million notional amount of outstanding borrowings under the ABL facility were swapped from a floating LIBOR-based rate to a fixed rate. The swaps entitle us to receive quarterly payments of interest at a floating rate indexed to the three-month LIBOR and pay a fixed rate that ranges from 2.686% to 2.997%, converting a portion of the outstanding borrowings on our ABL facility from a floating rate obligation to a fixed rate obligation. We recognized a pretax loss of $2.4 million in earnings (interest expense) during the three months ended March 31, 2008, which was primarily due to the change in fair value of the interest rate swap derivatives for a portion of time previous to their qualification for hedge accounting treatment. Other pretax realized gains and losses from derivatives which were recognized in earnings (interest expense) during the three months ended March 31, 2008, subsequent to qualification for hedge accounting treatment, were not material. These gains and losses effectively offset changes in the cost of the Company s hedged exposure, and no amount of such gains and losses resulted from hedge ineffectiveness, nor was any component of these gains and losses excluded from the Company s assessment of hedge effectiveness. The fair value of the Company s derivatives is recorded in accrued liabilities in the consolidated balance sheet. The fair value of the interest rate swaps was $1.7 million at March 31, 2008, which is recorded in accrued liabilities on the condensed consolidated balance sheet.

See Description of Certain Indebtedness The ABL Facility.

The Metals USA Notes

On the closing date of the Merger, we received approximately $268.0 million of net cash proceeds from the sale of $275.0 million aggregate principal amount of the Metals USA Notes, after deducting expenses of the offering. Interest on the Metals USA Notes accrues at the rate of 11 1/8% per annum and is payable semiannually in arrears on June 1 and December 1. We may redeem some or all of the Metals USA Notes at any time on or after December 1, 2010, at a predetermined redemption price plus accrued and unpaid interest and additional interest, if any, to the applicable redemption date. In addition, on or prior to December 1, 2008, we may redeem up to 35% of the aggregate principal amount of the Metals USA Notes with the net proceeds of certain equity offerings. If we experience a change of control and we do not redeem the Metals USA Notes, we will be required

to make an offer to repurchase the Metals USA 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.

We will pay interest on overdue principal at 1% per annum in excess of the above rate and will pay interest on overdue installments of interest at such higher rate to the extent lawful. The indenture governing the Metals USA Notes contains the covenants described under Covenant Compliance below.

The Metals USA Notes indenture contains certain customary events of default, including (subject, in some cases, to customary cure periods thresholds) defaults based on (1) the failure to make payments under the Metals USA Notes indenture when due, (2) breach of covenants, (3) cross-defaults to other material indebtedness, (4) bankruptcy events and (5) material judgments. We were in compliance with all covenants as of March 31, 2008.

See Description of Certain Indebtedness The Metals USA Notes.

The 2006 Notes

During December 2006, we issued the 2006 Notes. The 2006 Notes were senior unsecured obligations that were not guaranteed by any of Metals USA Holdings subsidiaries. As such, the 2006 notes were structurally subordinated to all indebtedness and other liabilities (including trade payables) of Metals USA Holdings subsidiaries.

Because Metals USA Holdings principal asset is its investment in Flag Intermediate, Flag Intermediate provided funds to service the 2006 Notes. On April 16, 2007, Flag Intermediate provided funds to Metals USA Holdings in the amount of $5.3 million to fund the initial quarterly interest payment on the 2006 Notes, which was paid on April 16, 2007.

In connection with the issuance of the 2007 Notes discussed below, Metals USA Holdings discharged its obligations under the indenture related to the previously issued 2006 Notes by depositing with the trustee for the 2006 Notes (i) an irrevocable notice of redemption of the 2006 Notes and (ii) cash and United States government securities in an amount necessary to yield on August 9, 2007 approximately $156.0 million, which represented all amounts payable under the indenture relating to the 2006 Notes on the August 9, 2007 redemption date.

The 2007 Notes

On July 10, 2007, we issued $300.0 million initial aggregate principal amount of the 2007 Notes. The 2007 Notes were issued at an initial issue price of 97% of the principal amount thereof, and the original issue discount is being amortized to interest expense over the life of the 2007 Notes. The 2007 Notes are senior unsecured obligations that are not guaranteed by any of Metals USA Holdings subsidiaries. As such, the 2007 Notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of Metals USA Holdings subsidiaries. See Description of Certain Indebtedness The 2007 Notes.

The initial three interest payments on the 2007 Notes were paid, and the July 1 interest payment is payable solely in cash. For any interest period thereafter, we may elect to pay interest (1) entirely in cash or (2) entirely by increasing the principal amount of the 2007 Notes or issuing new 2007 Notes, which we refer to as PIK Interest, or (3) on 50% of the outstanding principal amount of the 2007 Notes in cash and on 50% of the outstanding principal amount of the 2007 Notes by increasing the principal amount of the outstanding 2007 Notes or by issuing new 2007 Notes, which we refer to as Partial PIK Interest. Cash interest on the 2007 Notes will accrue at a rate per annum, reset quarterly, equal to LIBOR plus a spread of 6.00%, which increases by 0.25% to 6.25% in year 2, by 0.50% to 6.50% in year 3, and by 0.75% to 6.75% in year 4. In the event PIK Interest is paid on the 2007 Notes after the first four interest periods, the then-applicable margin over LIBOR on the 2007 Notes would increase by 0.75% for each period in which PIK Interest is paid. If Metals USA Holdings

elects to pay any PIK Interest, Metals USA Holdings will increase the principal amount on the 2007 Notes or issue new 2007 Notes in an amount equal to the amount of PIK Interest for the applicable interest payment period to holders of the 2007 Notes on the relevant record date. Interest is payable quarterly in arrears on January 1, April 1, July 1 and October 1.

Flag Intermediate provided funds to Metals USA Holdings to fund the initial three quarterly interest payments on the 2007 Notes, which were paid on October 1, 2007, January 2, 2008, and April 1, 2008, and totaled $7.7 million, $8.4 million, and $8.1 million, respectively. Flag Intermediate expects to provide funds to Metals USA Holdings to fund the fourth quarterly interest payment on the 2007 Notes in the amount of $6.7 million due on July 1, 2008.

The terms of the ABL facility, as well as the indenture governing the Metals USA Notes, restrict Flag Intermediate and certain of its subsidiaries from making payments or transferring assets to Metals USA Holdings, including dividends, loans, or distributions. Such restrictions include prohibition of dividends in an event of default and limitations on the total amount of dividends paid to Metals USA Holdings. In the event these agreements do not permit Flag Intermediate to provide Metals USA Holdings with sufficient distributions to fund interest and principal payments on the 2007 Notes when due, Metals USA Holdings may default on the 2007 Notes unless other sources of funding are available. Amounts available under these restricted payment provisions amounted to $37.1 million under the indenture governing the Metals USA Notes and $82.2 million under the loan and security agreement governing the ABL facility as of March 31, 2008.

On or after January 15, 2008, Metals USA Holdings may redeem some or all of the 2007 Notes at certain redemption prices, plus accrued and unpaid interest and additional interest, if any, to the redemption date. If Metals USA Holdings makes certain public offerings, asset sales or issuances of common stock, and does not redeem the 2007 Notes, it will be required to make an offer to repurchase the maximum principal amount of the 2007 Notes that may be purchased out of the proceeds thereof, at a price equal to 100% of the principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

If Metals USA Holdings experiences a change of control and does not redeem the 2007 Notes, it will be required to make an offer to repurchase the 2007 Notes at a price equal to 101% of the principal amount, plus accrued interest and unpaid interest and additional interest, if any, to the date of repurchase.

We will pay interest on overdue principal at 1% per annum in excess of the rates discussed above and will pay interest on overdue installments of interest at such higher rate to the extent lawful. The indenture governing the 2007 Notes contains covenants described under Covenant Compliance below.

The indenture governing the 2007 Notes contains covenants that, among other things, limit Metals USA Holdings ability and the ability of certain of its 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 its stockholders, incur restrictions on the ability of its subsidiaries to pay dividends or to make other payments to Metals USA Holdings, transfer or sell assets, create liens, enter into transactions with affiliates, make investments or acquisitions, and merge or consolidate with other companies or transfer all or substantially all of its assets.

Our affiliates, which include Apollo, as well as certain members of our management team, from time to time and depending upon market, pricing and other conditions, have purchased and may in the future purchase or sell a portion of the 2007 Notes in the market. Any such future purchases or sales may be made in the open market, privately negotiated transactions, tender offers or otherwise. As of March 31, 2008, the amounts of outstanding 2007 Notes held by our affiliates was $91.4 million, $90.9 million of which were held by Apollo, with the remainder held by certain members of our management team.

On February 26, 2008, we exchanged $216.0 million aggregate principal amount of the $300.0 million aggregate principal amount privately placed 2007 Notes for substantially identical 2007 Notes registered under the Securities Act.

As described in Use of Proceeds, no later than 60 days following our receipt of the proceeds of this offering, we will make an offer to all holders of the 2007 Notes to repurchase the maximum principal amount of the 2007 Notes, of which $300.0 million aggregate principal amount were outstanding as of March 31, 2008, that may be purchased out of the net proceeds of this offering, estimated to be approximately $ million, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of repurchase. Our affiliates that are holders of the 2007 Notes may participate in the repurchase offer. See Certain Relationships and Related Party Transactions Related Party Transactions Repurchase Offer. We cannot assure you that holders of the 2007 Notes will accept our offer and, even if they do, we expect that $ million of the 2007 Notes will remain outstanding. We will also continue to be subject to the covenants in the indenture governing the 2007 Notes.

See Description of Certain Indebtedness The 2007 Notes.

Covenant Compliance

The FCCR, as defined under the ABL facility, is determined on a rolling four-quarter period often referred to as last-twelve month, or LTM, period, by dividing (i) the sum of adjusted EBITDA minus income taxes paid in cash minus non-financed capital expenditures by (ii) the sum of certain distributions paid in cash, cash interest expense and scheduled principal reductions on debt. However, under the indentures governing the Metals USA Notes and the 2007 Notes, the denominator of the FCCR does not include the sum of certain distributions paid in cash and scheduled principal reductions and the numerator does not include cash income taxes or non-financed capital expenditures. Accordingly, we have presented our covenant compliance on the basis of the FCCR in our ABL facility. As of March 31, 2008, our FCCR was 1.52. As of March 31, 2008, we had $135.9 million of additional borrowing capacity under the ABL facility. Failure to comply with the FCCR covenant of the ABL facility can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. The interest rate in respect of borrowings under the ABL facility is determined in reference to the FCCR, and should borrowing availability under the ABL facility fall below $45.0 million, we must maintain an FCCR of at least 1.0 to 1.0, measured on a trailing four-quarter basis.

The indentures governing the Metals USA Notes and the 2007 Notes contain covenants that restrict our ability to take certain actions, such as incurring additional debt and making certain acquisitions, if we are unable to meet defined adjusted EBITDA to fixed charges and consolidated total debt ratios (each, as defined). The covenants in the indentures require us to have an adjusted EBITDA to fixed charge ratio (measured on a trailing four-quarter basis and calculated differently from the FCCR as defined by the ABL facility) of 2.0 to 1.0 to incur ratio indebtedness and a consolidated total debt ratio of no greater than 4.75 to 1.0 to incur ratio indebtedness in connection with acquisitions. Based on the calculations for the trailing four quarters, we are able to satisfy these covenants and incur additional indebtedness under these ratios, including for acquisition purposes, under our indentures.

Adjusted EBITDA is defined as EBITDA further adjusted to exclude certain non-cash, non-recurring and realized (or in case of the indentures, expected) future cost savings directly related to prior acquisitions. We believe that the inclusion of the supplemental adjustments applied in calculating adjusted EBITDA is appropriate to provide additional information to investors to demonstrate compliance with our financial covenants and assess our ability to incur additional indebtedness in the future. EBITDA, adjusted EBITDA and fixed charges are not defined terms under GAAP. Neither EBITDA nor adjusted EBITDA should be considered an alternative to operating income or net income as a measure of operating results or an alternative to cash flows as a measure of liquidity. Fixed charges should not be considered an alternative to interest expense. Because we are highly leveraged, we believe that the inclusion of supplementary adjustments to EBITDA applied in presenting adjusted EBITDA are appropriate to provide additional information to investors to demonstrate compliance with the covenants in our debt agreements.

As of March 31, 2008, we were in compliance with all of the debt covenants including those of the loan and security agreement governing the ABL facility and the indentures governing the Metals USA Notes and the 2007

Notes. Both the loan and security agreement governing the ABL facility and the indentures governing the Metals USA Notes and the 2007 Notes contain restrictions as to the payment of dividends. As of March 31, 2008, under the most restrictive of these covenants, the maximum amount of dividends that could be paid was $82.2 million under the loan and security agreement governing the ABL facility and $37.1 million under the indenture governing the Metals USA Notes. As of March 31, 2008, Flag Intermediate and its wholly-owned subsidiary, Metals USA, had $177.6 million of total stockholder s equity.

We believe the cash flow from operations, supplemented by the cash available under the ABL facility, will be sufficient to enable us to meet our debt service and operational obligations as they come due for at least the next twelve months.

	Period from January 1, 2005 to November 30, 2005	Period from May 9, 2005 (Date of Inception) to December 31, 2005	Years Ended December 31, 2006	Years Ended December 31, 2007	Three Months Ended March 31, 2007	Three Months Ended March 31, 2008
	(dollars in millions)					
Net income	$ 43.5	$ (2.0)	$ 39.3	$ 13.9	$ 3.8	$ 3.8
Depreciation and amortization(1)	3.5	1.5	22.6	23.7	5.5	6.6
Interest expense	12.0	4.1	54.6	87.0	19.4	25.1
Loss on extinguishment of debt				8.4		
Provision (benefit) for income taxes	26.7	(1.2)	25.8	4.8	2.4	2.4
Other (income) expense	(0.1)		(0.7)	(0.7)	(0.1)	(0.1)
EBITDA	$ 85.6	$ 2.4	$ 141.6	$ 137.1	$ 31.0	$ 37.8
Covenant defined adjustments:						
Inventory purchase adjustments(2)		4.1	10.8			
Stock options and grant expense(3)	15.0	0.4	1.2	4.8	3.4	0.3
Write-off of prepaid expenses as result of Merger(4)	0.3					
Facilities closure(5)			1.4	0.7		1.9
Severance costs(6)	0.7					
Pension withdrawal liability(7)				2.0		
Management fees(8)		0.1	1.2	1.5	0.3	0.3
Adjusted EBITDA(9)	$ 101.6	$ 7.0	$ 156.2	$ 146.1	$ 34.7	$ 40.3
Fixed charge coverage ratio(10)	N/A	N/A	1.51	1.31	1.24	1.52

(1) Includes depreciation for Building Products that is included in cost of sales.

(2) As a result of management s analysis and evaluation of the replacement cost of inventory as of the closing of the Apollo 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.

(3) Non-cash stock option and stock grant expense.

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

(5) The amount for 2006 represents $1.4 million of charges in connection with the closure of three facilities within the Building Products Group and one facility within each of the Plates and Shapes and Flat Rolled and Non-Ferrous Groups, respectively. The amount for 2007 represents charges in the Building Products Group for the closure of two facilities in the third quarter of 2007 and one in the fourth quarter of 2007. The amount for the three months ended March 31, 2008 represents charges to the Building Products Group for the closure of five facilities during such period.

(6) This amount represents severance costs of management personnel that were replaced as part of the Apollo Transactions.

(7) This amount represents accrued expenses incurred in connection with the withdrawal of two of our operating facilities from a multi-employer pension fund.

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(8) Includes accrued expenses related to the management agreement we have with Apollo.
(9) As defined by the loan and security agreement governing the ABL facility and the indentures governing the Metals Notes and the 2007 Notes.
(10) This amount represents the FCCR, as defined by the ABL facility. For more information about the FCCR, see footnote (2) in the Summary Historical Consolidated and Combined Financial Data.

Results of Operations 2005 Successor Company and Predecessor Company Results Combined Non-GAAP

The following tables present our combined results for the fiscal year ended December 31, 2005, combining the results for the Successor Company from May 9, 2005 (date of inception) to December 31, 2005, and the results for the Predecessor Company from January 1, 2005 to November 30, 2005.

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. The combined information is the result of merely adding the two columns and does not include any pro forma assumptions or adjustments. The Successor Company had no assets and conducted no operations from May 9, 2005 (date of inception) to November 30, 2005. We believe the Predecessor/Successor split of our results for the fiscal year ended December 31, 2005 would make it difficult for an investor to compare historical and future results. The Merger did not affect the operational activities of Metals USA and combining Predecessor and Successor results puts our operational performance into a meaningful format for comparative purposes.

As a result of the Merger, 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 Successor Company for the period from May 9, 2005 (date of inception) to December 31, 2005, operating costs and expenses were 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. The fair value of deferred taxes and long-term liabilities was increased by $64.8 million and $3.1 million. Our intangible assets (customer lists) will be amortized over five years using an accelerated amortization method which approximates its useful life and value to us. Total acquisition costs were allocated to the acquired assets and assumed liabilities based upon estimates of their respective fair values as of the closing date of the Merger using valuation and other studies.

	Predecessor Company	Successor Company	Combined Non-GAAP
	Period from January 1, 2005 through November 30, 2005	Period from May 9, 2005 (date of inception) through December 31, 2005	Year Ended December 31, 2005
		(in millions)	
Net sales	$ 1,522.1	$ 116.9	$ 1,639.0
Cost of sales(1)	1,189.3	92.5	1,281.8
Operating and delivery	139.1	12.8	151.9
Selling, general and administrative	108.5	9.3	117.8
Depreciation and amortization(1)	3.1	1.4	4.5
Operating income	82.1	0.9	83.0
Interest expense	12.0	4.1	16.1
Other (income) expense, net	(0.1)		(0.1)
Income (loss) before income taxes	$ 70.2	$ (3.2)	$ 67.0

(1) As a result of the Merger, 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 Successor Company for the period from May 9, 2005 (date of inception) to December 31, 2005, operating costs and

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expenses were 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. On a segment basis, $5.2 million additional operating cost and expense was allocated as follows: $1.1 million to Building Products, $1.9 million to Flat Rolled and Non-Ferrous, $1.6 million to Plates and Shapes, and $0.6 million to Corporate.

The period from May 9, 2005 (date of inception) to December 31, 2005 includes one month of operations, the month of December, of Metals USA. There is a slight decrease in our business during the winter months because of the impact of inclement weather conditions on the construction industry. This decrease in business, as well as the increase in costs that were associated with purchase accounting of $5.2 million, resulted in a net loss of $3.2 million.

	2005 Combined By Segment (dollars in millions)					
	Net Sales	**%**	**Operating Income (Loss)**	**%**	**Capital Spending**	**Tons Shipped(1)**
Combined Non-GAAP 2005:						
Plates and Shapes	$ 694.7	*42.4%*	$ 68.4	*82.4%*	$ 13.7	740
Flat Rolled and Non-Ferrous	770.9	*47.0%*	35.5	*42.8%*	2.5	723
Building Products	195.1	*11.9%*	16.8	*20.2%*	3.2	
Corporate and other	(21.7)	*(1.3)%*	(37.7)	*(45.4)%*	0.9	(24)
Total	$ 1,639.0	*100.0%*	$ 83.0	*100.0%*	$ 20.3	1,439
Successor Company:						
Plates and Shapes	$ 54.5	*46.6%*	$ 4.0	*444.4%*	$ 4.1	57
Flat Rolled and Non-Ferrous	51.0	*43.6%*	0.6	*66.7%*	0.2	52
Building Products	13.2	*11.3%*	(0.7)	*(77.8)%*	0.1	
Corporate and other	(1.8)	*(1.5)%*	(3.0)	*(333.3)%*		(2)
Total	$ 116.9	*100.0%*	$ 0.9	*100.0%*	$ 4.4	107
Predecessor Company:						
Plates and Shapes	$ 640.2	*42.0%*	$ 64.4	*78.5%*	$ 9.6	683
Flat Rolled and Non-Ferrous	719.9	*47.3%*	34.9	*42.5%*	2.3	671
Building Products	181.9	*12.0%*	17.5	*21.3%*	3.1	
Corporate and other	(19.9)	*(1.3)%*	(34.7)	*(42.3)%*	0.9	(22)
Total	$ 1,522.1	*100.0%*	$ 82.1	*100.0%*	$ 15.9	1,332

(1) Shipments are expressed in thousands of tons and are not an appropriate measure of volume for the Building Products Group.

	Predecessor Company	**Successor Company**	**Combined Non-GAAP**
	Period from January 1, 2005 through November 30, 2005	**Period from May 9, 2005 (date of inception) through December 31, 2005**	**Year Ended December 31, 2005**
		(in millions)	
Cash flow data:			
Cash flows provided by operating activities	$ 170.1	$ 7.3	$ 177.4

Cash flows used in investing activities	(15.8)	(434.5)	(450.3)
Cash flows provided by (used in) financing activities	(120.7)	438.5	317.8

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Commitments and Contingencies

From time to time, we are involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. We believe the resolution of these matters and the incurrence of their related costs and expenses should not have a material adverse effect on our consolidated financial position, results of operations, liquidity or cash flows.

Off-Balance Sheet Arrangements

We were not engaged in off-balance sheet arrangements through any unconsolidated, limited purpose entities and no material guarantees of debt or other commitments to third parties existed at March 31, 2008.

Contractual Obligations

We enter into operating leases for many of our facility, vehicle and equipment needs. These leases allow us to conserve cash by paying a monthly lease rental fee for the use of, rather than purchasing, facilities, vehicles and equipment. At the end of the lease, we have no further obligation to the lessor. We have varying amounts of open purchase orders that are subject to renegotiation/cancellation by either party as to quantity or price. Generally, the amounts outstanding relate to delivery periods of up to 12 weeks from the date of the purchase order.

Our future contractual obligations as of December 31, 2007 include the following:

		For the Fiscal Years Ended December 31,					
	Total	2008	2009	2010	2011	2012	Beyond
	(in millions)						
ABL facility(1)	$ 280.5	$	$	$	$ 280.5	$	$
Purchase orders	277.0	277.0					
11 1/8% Senior Secured Notes Due 2015 (Metals USA Notes)	519.8	30.6	30.6	30.6	30.6	30.6	366.8
Senior Floating Rate Toggle Notes Due 2012 (2007 Notes)(2)	300.0					300.0	
IRB(3)	5.7						5.7
Other obligations(4)	4.2	2.3	1.6	0.1	0.1	0.1	
Operating lease obligations	84.0	18.1	15.4	13.8	12.2	7.6	16.9
Total	$ 1,471.2	$ 328.0	$ 47.6	$ 44.5	$ 323.4	$ 338.3	$ 389.4

(1) The amounts stated do not include interest costs. The ABL facility bears interest based upon a margin over reference rates established within a specific pricing grid. The marginal rates will vary with our financial performance as measured by the FCCR. The applicable base rate and the effective LIBOR rate were 7.25% and 4.70%, respectively, on the December 31, 2007.

(2) The amounts stated do not include interest costs. The 2007 Notes bear cash interest at LIBOR plus a spread of 6.00%, which increases by 0.25% to 6.25% in year 2, by 0.50% to 6.50% in year 3 and by 0.75% to 6.75% in year 4. In the event PIK Interest is paid, the then-applicable margin over LIBOR on the 2007 Notes would increase by 0.75% for each period in which PIK Interest is paid. The effective LIBOR rate was 4.70% at December 31, 2007. See Use of Proceeds.

(3) The amounts stated do not include interest costs. The interest rate assessed on the IRB varies from month to month based on an index of mutual bonds, which was 3.65% on December 31, 2007.

(4) Excludes payments for unrecognized tax benefits. Based on the contingent and uncertain nature of our liability for unrecognized tax benefits, we are unable to make an estimate of the period of potential settlement, if any, with respective taxing authorities.

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New Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133, which we refer to as SFAS 161, which expands the disclosure requirements in SFAS 133 about an entity s derivative instruments and hedging activities. SFAS 161 s disclosure provisions apply to all entities with derivative instruments subject to SFAS 133 and its related interpretations. The provisions also apply to related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. Such disclosures, as well as existing SFAS 133 required disclosures, generally will need to be presented for every annual and interim reporting period. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the potential impact of adopting SFAS 161, if any, on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, which we refer to as SFAS 141R, which replaces SFAS 141. SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired in connection with a business combination. The Statement also establishes disclosure requirements that will enable users to evaluate the nature and financial effect of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of an entity s first fiscal year that begins after December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS 141R on the Company s financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51, which we refer to as SFAS 160. SFAS 160 requires that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This Statement is effective as of the beginning of an entity s first fiscal year beginning after December 15, 2008. The Company has not yet determined the impact, if any, that SFAS 160 will have on its financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115, which we refer to as SFAS 159. SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets and liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees, issued debt and other eligible financial instruments. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company did not elect to measure additional financial assets and liabilities at fair value.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R), which we refer to as SFAS 158, which requires the recognition of the funded status of benefit plans in the balance sheet. SFAS 158 also requires certain gains and losses that are deferred under current pension accounting rules to be recognized in accumulated other comprehensive income, net of tax effects. These deferred costs (or income) will continue to be recognized as a component of net periodic pension cost, consistent with current recognition rules. For entities with no publicly traded equity securities, the effective date for the recognition of the funded status is for fiscal years ending after June 15, 2007. In addition, the ability to measure the plans benefit obligations, assets and net period cost at a date prior to the fiscal year-end date is eliminated for fiscal years ending after

December 15, 2008. The adoption of the recognition element of SFAS 158 had no effect on the Company s financial statements. The adoption of the measurement date element of SFAS 158 is not expected to have a material impact on the Company s financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which we refer to as SFAS 157, which enhances existing guidance for measuring assets and liabilities using fair value. SFAS 157 provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. SFAS 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted market prices in active markets. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS 157, as it relates to financial assets and liabilities, was effective for the Company as of January 1, 2008. SFAS 157 does not require any new fair value measurements for existing assets and liabilities on the Company s balance sheet as of the date of adoption. Rather, the provisions of SFAS 157 are to be applied prospectively. As such, there was no impact to the Company s financial statements as of the January 1, 2008 adoption date, and for the three months ended March 31, 2008, we have included the Statement s expanded disclosures about the use of fair value to measure assets and liabilities within the Company s financial statements.

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157, which we refer to as FSB FAS 157-2, which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until fiscal years beginning after November 15, 2008. The Company is currently evaluating the potential impact of adopting FSP FAS 157-2, if any, on its consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to market risk, primarily from changes in interest rates and the cost of metal we hold in inventory. We continually monitor exposure to market risk and develop appropriate strategies to manage this risk. With respect to our metal purchases, there is no recognized market to purchase derivative financial instruments to reduce the inventory exposure risks. See Liquidity and Capital Resources for a discussion of market risk relative to steel prices.

Our exposure to market risk for changes in interest rates relates primarily to the ABL facility and the 2007 Notes, both of which are subject to variable interest rates as of March 31, 2008. As of March 31, 2008, outstanding borrowings under the ABL facility were $334.0 million. Based on the weighted average borrowings outstanding on the ABL facility during the three months ended March 31, 2008, a one percent increase or decrease in the weighted average facility rate would have resulted in a change to pretax interest expense of approximately $0.8 million for the period.

As of March 31, 2008, the outstanding aggregate principal amount of the 2007 Notes was $300.0 million. Based on this amount, a one percent increase or decrease in the base rate would have resulted in a change to pretax interest expense of $0.7 million for the three months ended March 31, 2008. At May 9, 2008, the 2007 Notes were traded at 86.5% of face value.

On February 29, 2008, $250.0 million notional amount of outstanding borrowings under the ABL facility was swapped from a floating LIBOR-based rate to a fixed rate. The swaps entitle us to receive quarterly payments of interest at a floating rate indexed to the three-month LIBOR and pay a fixed rate that ranges from 2.686% to 2.997%, converting a portion of the outstanding borrowings on our ABL facility from a floating rate obligation to a fixed rate obligation. The fair value of the interest rate swaps will fluctuate during the year based on normal changes in interest rates. We recognized a pretax loss of $2.4 million in earnings (interest expense) during the three months ended March 31, 2008, which was primarily due to the change in fair value of the interest rate swap derivatives for a portion of time previous to their qualification for hedge accounting treatment. Other pretax realized gains and losses from derivatives which were recognized in earnings (interest expense)

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during the three months ended March 31, 2008, subsequent to qualification for hedge accounting treatment, were not material. These gains and losses effectively offset changes in the cost of the Company s hedged exposure. The fair value of the interest rate swaps was $1.7 million at March 31, 2008, which is recorded in accrued liabilities on the condensed consolidated balance sheet.

$275.0 million aggregate principal amount of Metals USA Notes were outstanding as of March 31, 2008, with a fixed interest rate of 11 1/8%. Changes in market interest rates will not impact cash interest payable on the Metals USA Notes. At May 9, 2008, the Metals USA Notes were traded at approximately 103.75% of face value.

BUSINESS

Company Overview

Metals USA, Inc. was incorporated in Delaware on July 3, 1996, and began operations upon completion of an initial public offering on July 11, 1997. On May 18, 2005, Metals USA Holdings, Flag Acquisition, and Metals USA entered into the Merger Agreement. On November 30, 2005, Flag Acquisition, which was a wholly-owned subsidiary of Flag Intermediate, merged with and into Metals USA, with Metals USA being the surviving corporation. Flag Intermediate and Flag Acquisition conducted no operations during the period from May 9, 2005 (date of inception) to November 30, 2005. As a result of the Merger, all of Metals USA Inc. s issued and outstanding common stock is held indirectly by Metals USA Holdings through Flag Intermediate, its wholly owned subsidiary. Metals USA Holdings was formed by Apollo. Investment funds associated with Apollo own approximately 97% of the capital stock of Metals USA Holdings (or approximately 90% on a fully-diluted basis) as of March 31, 2008, and will beneficially own approximately % of our common stock, assuming the underwriters do not exercise their over-allotment option. The remainder of the capital stock of Metals USA Holdings is held by members of our management. See Principal Stockholders and Selling Stockholders.

As one of the largest metal service center businesses in the United States, we are a leading provider of value-added processed carbon steel, stainless steel, aluminum, red metals and manufactured metal components. We are an important intermediary between primary metal producers that generally sell large volumes in limited sizes and configurations and end-users that generally require more services and smaller quantities of customized products. Our metal service center business consists of a Plates and Shapes Group that sold approximately 826 thousand tons of steel plates and structurals in 2007 and a Flat Rolled and Non-Ferrous Group that sold approximately 614 thousand tons of ferrous and non-ferrous flat rolled products in 2007. We sell our products and services to a diverse customer base and range of end markets, including defense, aerospace, marine, oil and gas, fabrication, and commercial construction, among several others, throughout the United States. In our metal service centers we earn a margin over the cost of metal. Management s strategy, manifested through our organic growth initiatives and acquisitions of Port City and Lynch Metals focuses on maximizing the margin we earn over the cost of metal by offering additional higher value-added processing services and by diversifying our product mix. We believe this strategy, in combination with management s proven ability to manage metal purchasing and inventories to consistently meet our customers high expectations for service and reliability, has underpinned our earnings growth over the last several years.

Our Plates and Shapes and Flat Rolled and Non-Ferrous Groups perform customized, value-added processing services to unimproved steel and other metals required to meet specifications provided by our customers in addition to offering inventory management and just-in-time delivery services, among others. These services enable our customers to reduce material costs, decrease capital required for raw materials inventory and processing equipment, and save time, labor, warehouse space and other expenses. The customers of our Plates and Shapes and Flat Rolled and Non-Ferrous Groups are in the electrical and appliance manufacturing, fabrication, furniture, commercial construction, machinery and equipment, land and marine transportation, and energy and aerospace industries. Our Building Products Group manufactures high-value finished building products for distributors and contractors engaged in the residential remodeling industry.

Competitive Strengths

Premium Margins Over Metal. Metal service centers generally earn a margin over the cost of metal, which provides stability to metal service centers cash flows relative to metal producers through pricing cycles. In addition, by performing certain value added processing to metal before it is shipped to the customer as well as providing inventory management services, we earn a premium margin over the cost of metal. We also sell an

enhanced product mix across our metal service center business by supplementing our core carbon offerings with non-ferrous volumes. Non-ferrous volumes are generally higher margin and more stable through economic cycles. Over the last several years, we have invested in our facilities and completed acquisitions to equip our metal service centers with the ability to continue earning premium margins going forward.

Platform for Strong Growth. Over the last several years we spent approximately $122.4 million in growth initiatives including $38.5 million to grow our business organically and $83.9 million of acquisitions. Our growth initiatives have focused on increasing our mix of higher-margin products and services, such as value-added processing, inventory management services and non-ferrous volumes. Our largest recent organic growth project was a $17.5 million investment in our Plates and Shapes metal service center in Waggaman, Louisiana to capitalize upon the strong marine industry in the gulf coast region. This investment equipped this facility with the ability to provide value-added processing, such as blast, paint, laser and plasma cutting and press brake services. In late 2005, we established and trained a dedicated acquisitions team that is responsible for identifying, evaluating, executing, integrating and monitoring acquisitions. This team has completed two strategic acquisitions for our metal service center business: (1) Port City in our Plates and Shapes Group that increased our plate processing capabilities to customers serving the oil field, construction equipment and refining industries, and (2) Lynch Metals in our Flat Rolled and Non-Ferrous Group that provides value-added, specialized aluminum products, to customers who are predominantly manufacturers of air/heat transfer products specifically focused on aerospace, industrial and automotive applications. See 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.

Skilled Inventory Management. Inventory management is critical to metal service centers ability to balance investment in working capital, pass on the cost of metal to the customer and meet customer needs often on a just-in-time basis. The Company s purchasing practices follow an inventory management framework set on a weekly basis under the guidance of our Chief Executive Officer. Within this framework, inventory and processing services are tailored to the needs of each metal service center s particular customers. We believe our system of inventory management and our capital structure flexibility have allowed us to react to changing metals prices and customer needs, oftentimes more quickly than most of our competitors. Our information technology systems allow us to share inventory among our facilities, which helps us to maximize returns and satisfy our customers. In addition, our inventory management framework has supported our ability to generate significant earnings during rising metal price environments and generate significant free cash flow in declining metal price environments.

Strong Relationships with Key Suppliers. We are one of the largest domestic purchasers of steel, and 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 historically have been able to obtain ample access to feedstock in periods of tight supply. Access to feedstock during these periods enhances our standing relative to our competitors with end-users. Our relationships with our metal suppliers also help us to optimize our inventory management.

Diversified Customer Base, Products and End-Markets. Our business supplies a broad range of products to a large and diversified customer base (over 17,400 customers in 2007) in a wide variety of end-markets and industries. However, we have sought to enhance our position in stable growth industries that demand higher value-added services and reduce our exposure to more cyclical sectors. As a result of our organic growth projects and acquisitions, we have capitalized on growth opportunities with products such as aluminum brazing sheet, armor plate, marine grade aluminum plate, and pressure vessel plate to service the aerospace, marine, defense, and oil and gas industries. Our broad range of high-quality products and customized value-added services offered throughout our metal service centers allow us to offer one-stop shopping to our customers. We believe one-stop shopping provides a significant competitive advantage over smaller metal service centers, which generally stock fewer products than we do.

Experienced and Proven Management Team. Our senior management team has over 20 years on average of metals industry experience and is supported by considerable management talent, including our division presidents and facility operators. Our President, Chief Executive Officer and Chairman, C. Lourenço Gonçalves, has over 25 years of experience in the metals industry, including his terms as Chief Executive Officer of CSI, which had many of the same value chain dynamics as a metal service center, and as managing director, among other positions, of CSN. Under his leadership since 2003, we have executed a strategy that has significantly improved our cash flow stability, earnings growth, and competitiveness within the industry.

Strategy

Expand Value-Added Services. We intend to continue expanding our value-added services, which enhance our relationships with existing customers and help us build new customer relationships. Customers increasingly demand and are willing to pay a premium margin for additional value-added services to facilitate more efficient inventory management and reduce total production costs. Demand for these services generally remains strong through most economic cycles. We intend to continue to identify and invest in capital projects that provide attractive returns to fulfill this growing demand. We believe that our operating expertise, organizational structure, high-quality facilities, size, and our low cost and flexible capital structure enable us to reliably provide a full range of value-added services to our customers relative to our competitors, particularly smaller metal service centers.

Increase Sales of Higher Margin Products and Services. The sale of higher margin products and services, which tend to have higher growth prospects and are more stable, will continue to be one of our core strategies. We intend to continue executing on this strategy by increasing our non-ferrous volumes and our sales of processed products. Focusing on this strategy historically has increased our margins, stabilized our earnings, and optimized our investment in working capital, and we expect this strategy will continue benefiting us in these areas. We anticipate that we will continue investing in and acquiring companies to maintain and expand our state-of-the-art processing facilities, which will enable us to fulfill a greater proportion of our customers processing requirements relative to our competitors.

Execute Strategic Acquisitions to Improve Our Business. The North American metal service center industry is highly fragmented, which we believe provides us with opportunities to execute our core strategies through highly synergistic bolt-on acquisitions. We completed two acquisitions, Port City for our Plates and Shapes Group and Lynch Metals for our Flat-Rolled and Non-Ferrous Group, both of which have benefited us financially, operationally and strategically. The combination of our successful track record of acquiring and integrating acquisitions and our internal acquisition team s strong industry relationships has yielded proprietary

deal flow for us and has helped us maintain an active pipeline of opportunities. We intend to maintain our disciplined acquisition strategy, and we will generally target one to two bolt-on acquisitions per year that will enhance our metal service center strategy.

Maintain and Strengthen Our Strong Relationships with Suppliers and Customers. As one of the largest metal service center businesses in the United States, we intend to use our relationships to leverage the opportunities presented by the consolidation of steel producers and the changing needs of our customers. Steel producers continue to seek long-term relationships with metal service centers that have access to numerous customers, while customers are seeking relationships with metal service centers that can provide a reliable source of high-quality products combined with value-added services.

Continue 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 demands. 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 to further improve our just-in-time delivery and customer service. Constant evaluation of our inventory management will allow us to continue supplying our customers reliably, even during periods of tight metal supply. We expect our inventory management framework will continue generating strong earnings during periods of rising metal prices and strong cash flow during periods of declining metal prices.

Maintain High Free Cash Flow Generation and Conversion. Senior management has implemented a focused strategy designed to maximize our profitability and cash flow. We believe that we are a reliable supplier, especially of higher margin products and services, to our customers even in periods of tight supply. We believe that our reliability allows us to generate higher margins and more stable operating income through the business cycle. Moreover, we believe our inventory framework bolstered by our strong relationships with our metals suppliers will stabilize earnings during periods of weakness. Our core business also requires minimal maintenance capital investment. We believe these strengths taken together underscore our ability to generate high levels of free cash flow. We believe that our free cash flow will enable us to reinvest in our business and to achieve other corporate and financial objectives.

Segment Information

Each of our product groups is led by an experienced executive and is supported by a professional staff in finance, purchasing and sales and marketing. This product-oriented organizational structure facilitates the efficient advancement of our goals and objectives to achieve operational synergies and focused capital investment. For additional industry segment information, see Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations by Segment and Note 12 to our consolidated financial statements for the year ended December 31, 2007 included elsewhere in this prospectus.

Metal Processing/Metal Service Center Businesses: Plates and Shapes and Flat Rolled and Non-Ferrous Groups

Overview. Companies operating in the metals industry can generally be characterized as primary metal producers, metal processors/metal service centers or end-users. Our Plates and Shapes and Flat Rolled and Non-Ferrous Groups are metals processors/metal service centers. As such, we purchase carbon steel, stainless steel, aluminum, brass, copper and other metals from producing mills and then sell our metal processing services and the metal to our customers, who are generally end-users. We believe that both primary metals producers and end-users increasingly seek to have their metals processing and inventory management requirement met by value-added oriented metals processors/metal service centers like us.

Metal service centers function as key intermediaries between the primary metals producers that produce and sell larger volumes of metals in a limited number of sizes and configurations and end-users, such as fabricators,

contractors and OEMs, that require smaller quantities of more customized products delivered on a just-in-time basis. End-users incorporate processed metals into finished products, in some cases with little further modification.

In our Plates and Shapes and Flat Rolled and Non-Ferrous Groups, we engage in pre-production processing of carbon steel, stainless steel, red metals and aluminum. We purchase metals from primary producers, maintain an inventory of various metals to allow rapid fulfillment of customer orders and perform customized processing services to the specifications provided by end-users and other customers. By providing these services, as well as offering inventory management and just-in-time delivery services, we enable our customers to reduce overall production costs and decrease capital required for raw materials inventory and metals processing equipment. The Plates and Shapes and Flat Rolled and Non-Ferrous Groups contributed approximately 92% of our 2007 net sales and the substantial majority of our 2007 operating income.

Plates and Shapes Group. We believe we are one of the largest distributors of steel plates and structurals in the United States. In 2007, we sold approximately 826 thousand tons of products through 21 metal service centers located primarily in the southern and eastern regions of the United States. Our Plates and Shapes metal service centers are generally equipped to provide additional value-added processing, and a substantial portion of our volume is processed prior to being delivered to the end-user. These processing services include blasting and painting, tee-splitting, cambering, leveling, cutting, sawing, punching, drilling, beveling, surface grinding, bending, shearing and cutting-to-length. We sell our products to a diversified customer base, including a large number of small customers who purchase products in small order sizes. We generally earn additional margin from our customers by providing services such as product marking, item sequencing, just-in-time delivery and kitting. The customers of our Plates and Shapes Group are primarily in the fabrication, commercial construction, machinery and equipment, land and marine transportation, and energy industries. Because our Plates and Shapes metal service centers are generally strategically located in close proximity to our metal suppliers and our customers, we are able to meet our customers product and service needs reliably and consistently. In May 2006, we completed the acquisition of the Port City, a higher value-added plate facility located in Tulsa, Oklahoma, which has bolstered our presence in the construction and oil-field services sectors. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Affecting Comparability of Results 2006 Acquisitions.

Flat Rolled and Non-Ferrous Group. Through 13 metal service centers located primarily in the mid-western and southern regions of the United States, the Flat Rolled and Non-Ferrous Group sold approximately 614 thousand tons of products in 2007, including ferrous and non-ferrous in a number of alloy grades and sizes. In 2007, we derived approximately 52% and 48% of this division s revenue from ferrous products and non-ferrous products, respectively. Substantially all of the products sold by our Flat Rolled and Non-Ferrous Group undergo value-added processing prior to shipping to our customers. These processing services include precision blanking, slitting, shearing, cutting-to-length, punching and leveling. We sell our Flat Rolled and Non-Ferrous Group s products and services to customers in the electrical manufacturing, fabrication, furniture, appliance manufacturing, machinery and equipment, transportation and aerospace industries. Many of our large customers purchase through pricing arrangements or contractual agreements that specify the margin over the cost of metal and we generally earn additional margin from these customers by providing services such as product marking and labeling, just-in-time delivery and kitting. We are able to provide these services reliably because our metal service centers are generally located in close proximity to our metal suppliers and our customers. In July 2007, we acquired Lynch Metals, a metal service center business that provides higher value-added, specialized aluminum products to customers who are predominantly manufacturers of air/heat transfer products specifically focused on aerospace, industrial and automotive applications.

Industry Overview. Metal service centers purchase approximately 30% of all steel products consumed in the U.S. and metal service centers play a critical intermediary role between the production mills and the end-users. Over the last several years primary metals producers have consolidated and focused on core competencies and have increasingly required metal 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, and therefore, over 300,000 OEMs contractors and fabricators nationwide rely on metal service centers for their primary supply of metal products and services. End-users generally buy metal products and services from metal service centers on a margin over the base cost of metal. In addition, value-added metal service centers, including ours, earn an additional premium margin over the cost of metal for the value-added processing enhancements they perform on base metal prior to delivering it to the end-user.

OEMs and other end-users have also recognized the economic advantages associated with outsourcing their customized metals processing needs. Outsourcing permits end-users to reduce total production costs by shifting the responsibility of pre-production processing to metal service centers, which are more efficient than end-users at performing these value-added and processing services. In addition, outsourcing these processing services has allowed OEMs and end-users to reduce inventories and focus on driving value from additional inventory management measures. As such, customers increasingly demand inventory management and just-in-time delivery services from large value-added metal service centers, who can more efficiently provide these services. These supply-chain services, which are not normally 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. We believe that growth opportunities for metal service centers will continue to expand as both primary metals producers and end-users increasingly seek to have their metals processing and inventory management requirements met by value-added metal service centers. We believe larger and financially flexible companies, like ours, enjoy significant advantages over smaller companies in areas such as obtaining higher discounts associated with volume purchases, servicing customers with operations in multiple locations offering a broader range of products and using more sophisticated information systems.

The steel industry, among several other metals industries, is global in nature and is currently undergoing a paradigm shift that we believe will result in significant and substantial profitability for both producers and metal service centers. Since this shift began over six years ago, the steel production and distribution industries have experienced unprecedented revenue and profit expansion as global demand for steel has grown at an extraordinary pace driven largely by industrial development in China, Brazil, Russia and India and to some extent Western economies. Global demand for steel has grown at approximately 9% annually over the last five years and according to the International Iron and Steel Institute, steel use is expected to increase approximately 7% from 2007 to 2008. Projections for 2009 suggest a global growth rate of approximately 6% from 2008. For several years prior to the recent surge in steel demand, steel producers and raw material suppliers had not invested enough capital in expanding raw material capacity. Now, demand growth for steel is expected to outpace the ability for steel producers and raw material suppliers to meet this demand, which has driven the price of the core raw materials, such as iron ore, coke and coal, to record highs recently.

Additionally, transportation costs have also increased over the last several years, and energy is becoming more expensive globally. All of these factors have caused the steel production cost curve to increase substantially. Foreign mills, which pay many of their operating costs in local currencies, have been affected more than U.S. mills as the U.S. dollar has weakened because steel is priced globally in U.S. dollars. However, as the U.S. dollar has weakened, U.S. mills have become some of the world s lowest cost producers, encouraging them to export production for the first time in more than fifteen years. Finally, adding raw material capacity has now become significantly more expensive relative to historic levels. As a result, higher raw material and steel prices will be required to yield acceptable returns on these capital investments. Given the tight market for steel worldwide and especially in the United States, where steel consumption exceeds domestic production, the structural increase in the cost to produce steel, and the increasingly costly expansion projects, we anticipate there will be a growing interest from both domestic mills and foreign producers to purchase metal service centers in order to acquire better visibility of domestic consumer demand and base-load their relatively high fixed-cost production assets. Considering all of these factors together, we believe the industry has undergone and continues to undergo a dynamic paradigm shift that will result in significant and sustained improvements in the financial health and prosperity of North American industry participants.

Products and Services. We purchase our raw materials in anticipation of projected customer requirements based on interaction with and feedback from customers, market conditions, historical usage and industry

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research. Primary producers typically find it more cost effective to focus on large volume production and sale of metals in standard sizes and configurations to large volume purchasers. We process the metals to the precise length, width, shape and surface quality specified by our customers. Our value-added processes include:

- Precision blanking the process in which metal is cut into precise two-dimensional shapes.
- Flame cutting the cutting of metals to produce various shapes according to customer-supplied drawings.
- Laser and plasma cutting the cutting of metals to produce shapes under strict tolerance requirements.
- Slitting the cutting of coiled metals to specified widths along the length of the coil.
- Blasting and painting the process of cleaning steel plate by shot-blasting, then immediately applying a paint or primer.
- Plate forming and rolling the forming and bending of plates to cylindrical or required specifications.
- Shearing and cutting to length the cutting of metals into pieces and along the width of a coil to create sheets or plates.
- Tee-splitting the cutting of metal beams along the length to form separate pieces.
- Cambering the bending of structural shapes to improve load-bearing capabilities.
- Sawing the cutting to length of bars, tubular goods and beams.
- Leveling the flattening of metals to uniform tolerances for proper machining.
- Edge trimming a process that removes a specified portion of the outside edges of coiled metal to produce uniform width and round or smooth edges.
- Metallurgy the analysis and testing of the physical and chemical composition of metals.

Our additional capabilities include applications engineering and other value-added processes such as custom machining. Using these capabilities, we use processed metals to manufacture higher-value components.

Once we receive an order, we select the appropriate inventory and schedule it for processing in accordance with the customer s requirements and specified delivery date. Orders are monitored by our computer systems, including, in certain locations, the use of bar coding to aid in and reduce the cost of tracking material. We record the source of all metal shipped to customers. This enables us to identify the source of any metal which may later be shown to not meet industry standards or that fails during or after manufacture. This capability is important to our customers as it allows them to assign responsibility for non-conforming or defective metal to the mill that produced the metal. Many of the products and

services we provide can be ordered and tracked through a web-based electronic network that directly connects our computer system to those of our customers.

We cooperate with our customers and tailor our deliveries to support their needs, which in many instances consist of short lead-times and just-in-time delivery requirements. This is accomplished through our inventory management programs, which permit us to deliver processed metals from a sufficient inventory of raw materials to meet the requirements of our customers, which in many instances results in orders filled within 24 to 48 hours.

While we ship products throughout the United States, most of our customers are located within a 250-mile radius of our facilities, thus enabling an efficient delivery system capable of handling a large number of short lead-time orders. We transport most of our products directly to our customers either with our own trucks for short-distance and/or multi-stop deliveries or through common or contract trucking companies.

We have quality control systems to ensure product quality and traceability throughout processing. Quality controls include periodic supplier audits, customer-approved quality standards, inspection criteria and metals source traceability. A number of our facilities have International Standards Organization, or ISO, 9002 certification.

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Building Products Group

Overview. The Building Products Group manufactures and sells roofing and patio products. Substantially all of our Building Products Group sales are attributable to the residential remodeling market with the remaining sales attributable to commercial applications. We generally sell our products through a network of independent distributors and home improvement contractors. With facilities located throughout the southern and western regions of the United States and Canada, we believe we are one of only a few suppliers with national scale across our product offering.

Industry Overview. The residential remodeling industry is currently in a state of transition as recent mortgage market turmoil and weak consumer confidence have been reflected in a general decline in the purchase of home remodeling goods and services. However, we believe that factors including rising disposable incomes, increased rates of home ownership, a low interest rate environment and aging American houses have generated significant pent-up demand for remodeling that will manifest itself when the housing sector rebounds. We believe that these factors support a strong long-term outlook for residential remodeling as a cost-effective alternative to new housing construction.

Raw Materials and Supply

In recent years, steel, aluminum, copper and other metals production in the United States has fluctuated from period to period as mills attempt to match production to projected demand. Periodically, this has resulted in shortages of, or increased ordering lead-times for, some products, as well as fluctuations in price. Typically, metals producers announce price changes with sufficient advance notice to allow us to order additional products prior to the effective date of a price increase, or to defer purchases until a price decrease becomes effective. Our purchasing decisions are based on our forecast of the availability of metal products, ordering lead-times and pricing, as well as our prediction of customer demand for specific products.

We obtain the overwhelming majority of our metals from domestic suppliers, which include Nucor Corp., North American Stainless, AK Steel, Arcelor Mittal, Steel Dynamics, IPSCO Steel and Gerdau Ameristeel. Although we have historically purchased approximately 10% to 15% of our raw material supplies from foreign producers, domestic suppliers have always been, and we believe will continue to be, our principal source of raw material.

Although most forms of steel and aluminum produced by mills can be obtained from a number of integrated mills or mini-mills, both domestically and internationally, there are a few products that are available from only a limited number of producers. Since most metals are shipped free-on-board and the transportation of metals is a significant cost factor, we generally seek to purchase metals, to the extent possible, from the nearest mill.

Ferrous metals producers have been undergoing rapid consolidation over the past four years. U.S. Steel, Nucor Corp. and Mittal Steel NA have acquired several of their domestic competitors, and international integrated producers have merged and consolidated operations. The result of this trend will be fewer integrated producers from which we can purchase our raw materials. We believe that global consolidation of the metals industry is beneficial to the metals industry as a whole by enhancing efficiency.

Sales and Marketing; Customers

We employ a sales force consisting of internal and external salespeople. Internal salespeople are primarily responsible for maintaining customer relationships, receiving and soliciting individual orders and responding to service and other inquiries by customers. Our external sales force is primarily responsible for identifying potential customers and calling on them to explain our services. Our sales force is trained and knowledgeable about the characteristics and applications of various metals, as well as the manufacturing methods employed by our customers.

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Our sales and marketing focus is on the identification of OEMs and other metals end-users that could achieve significant cost savings through the use of our inventory management, value-added processing, just-in-time delivery and other services. We use a variety of methods to identify potential customers, including the use of databases, direct mail and participation in manufacturers trade shows. Customer referrals and the knowledge of our sales force about regional end-users also result in the identification of potential customers. Once a potential customer is identified, our outside salespeople assume responsibility for visiting the appropriate contact, typically the purchasing manager or manager of operations.

Nearly all sales are on a negotiated price basis. In some cases, sales are the result of a competitive bid process where a customer provides a list of products, along with requirements, to us and several competitors and we submit a bid on each product. We have a diverse customer base, with no single customer accounting for more than 3% of our net sales in each of the last three years. Our ten largest customers represented less than 11% of our net sales in 2007.

Competition

We are engaged in a highly fragmented and competitive industry. Competition is based on reliability, service, quality, timeliness, geographic proximity and price. We compete with a large number of other metal processors/metal service centers on a national, regional and local basis, some of which may have greater financial resources. We also compete to a much lesser extent with primary metal producers, who typically sell directly to very large customers requiring regular shipments of large volumes of metal. A number of smaller metals processors/metal service centers compete with us locally.

Historically, we believe that we have been able to compete effectively because of our high levels of service, broad-based inventory, knowledgeable and trained sales force, integrated computer systems, modern equipment, numerous locations, geographic dispersion, operational economies of scale and combined purchasing volume. Furthermore, we believe our liquidity and overall financial position affords us a good platform with which to compete with our peers in the industry.

Government Regulation and Environmental Matters

Our operations are subject to a number of federal, state and local regulations relating to the protection of the environment and to workplace health and safety. In particular, our operations are subject to extensive federal, state and local laws and regulations governing waste disposal, air and water emissions, the handling of hazardous substances, environmental protection, remediation, workplace exposure and other matters. Hazardous materials we use in our operations include general commercial lubricants and cleaning solvents. Among the more significant regulated activities that occur at some of our facilities are: the accumulation of scrap metal, which is sold for recycling; the generation of plant trash and other solid wastes and wastewaters, such as water from burning tables operated at some of our facilities, which wastes are disposed of in accordance with the Federal Water Pollution Control Act and the Resource Conservation and Recovery Act using third-party commercial waste handlers; and the storage, handling, and use of lubricating and cutting oils and small quantities of maintenance-related products and chemicals, the health hazards of which are communicated to employees pursuant to Occupational Safety and Health Act-prescribed hazard communication efforts and the disposal or recycling of which are performed pursuant to the Resource Conservation and Recovery Act.

Generally speaking, our facilities operations do not involve the types of emissions of air pollutants, discharges of pollutants to land or surface water, or treatment, storage, or disposal of hazardous waste which would ordinarily require federal or state environmental permits. Some of our facilities possess authorizations for air emissions from paints and coatings, hazardous materials permits under local fire codes or ordinances for the storage and use of small quantities of combustible materials such as oils or paints, and state or local permits for on-site septic systems. Our cost of obtaining and complying with such permits has not been and is not anticipated to be material. Our operations are such that environmental regulations typically have not required us to make significant capital expenditures for environmental compliance activities.

We believe that we are in substantial compliance with all applicable environmental and workplace health and safety laws and do not currently anticipate that we will be required to expend any substantial amounts in the foreseeable future in order to meet such 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 CERCLA National Priority List. CERCLA establishes joint and several responsibility for clean-up 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 and we are investigating and remediating such known contamination pursuant to applicable environmental laws. The costs of such clean-ups have not been material. We are not currently subject to any claims or notices with respect to clean-up or remediation under CERCLA or similar laws for contamination at our leased or owned properties or at any off-site location. However, we cannot rule out the possibility 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.

Management Information Systems

Both the Plates and Shapes Group and Flat Rolled and Non-Ferrous Group metal service centers use a system marketed and distributed specifically for the metal service center industry. During 2003, we completed a similar common-platform initiative in the Building Products Group. Some of our subsidiaries currently use electronic data interchange, through which they offer customers a paperless process with respect to order entry, shipment tracking, billing, remittance processing and other routine activities. Additionally, several of our subsidiaries also use computer-aided drafting systems to directly interface with computer-controlled metals processing, resulting in more efficient use of material and time.

We believe investment in uniform management information systems and computer-aided manufacturing technology permits us to respond quickly and proactively to our customers needs and service expectations. These systems are able to share data regarding inventory status, order backlog, and other critical operational information on a real-time basis.

Employees

As of March 31, 2008, we employed approximately 2,700 persons. As of March 31, 2008, approximately 276, or approximately 10% of our employees, at various sites were members of unions: the United Steelworkers of America; the Sheet Metals Workers Union; the International Association of Bridge, Structural, and Ornamental Ironworkers of America; and the International Brotherhood of Teamsters. Our relationship with these unions generally has been satisfactory. Within the last five years, we have not experienced any work stoppages at any of our facilities. We are currently a party to eight collective-bargaining agreements. One expires in mid 2008, two in late 2009 and five which expire in 2010. Presently, we do not anticipate any problems or issues with respect to renewing these agreements upon acceptable terms. Historically, we have succeeded in negotiating new collective bargaining agreements without a strike and we expect to succeed in negotiating new collective bargaining agreements with respect to the agreements that expire in 2008.

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. We believe that our relations with our employees are satisfactory.

See Risk Factors Risks Related to Our Business Our ability to retain our key employees is critical to the success of our business, and failure to do so may adversely affect our revenues and as a result could materially adversely affect our business, financial condition, results of operations and cash flows and Risk Factors Risks Related to Our Business Adverse developments in our relationship with our unionized employees could adversely affect our business.

Vehicles

We operate a fleet of owned or leased trucks and trailers, as well as forklifts and support vehicles. We believe these vehicles are generally well maintained and adequate for our current operations.

Risk Management and Insurance

The primary risks in our operations are bodily injury, property damage and vehicle liability. We maintain general and vehicle liability insurance and liability insurance for bodily injury and property damage and workers compensation coverage, which we consider sufficient to protect us against a catastrophic loss due to claims associated with these risks.

Safety

Our goal is to provide an accident-free workplace. We are committed to continuing and improving upon each facility s focus and emphasis on safety in the workplace. Our safety program includes regular weekly or monthly field safety meetings and training sessions to teach proper safe work procedures. A comprehensive best practices safety program which has been implemented throughout our operations ensures that all employees comply with our safety standards, as well as those established by our insurance carriers, and federal, state and local laws and regulations. This program is led by the corporate office, with the assistance of each of our product group presidents, executive officers and industry consultants with expertise in workplace safety. We have experienced improvements in our safety record in each of the past three years. Furthermore, our annual bonus plan for our Chief Executive Officer, officers and managers are tied directly in part to our safety record.

Financial Information about Segments

For information regarding revenues from external customers, measures of profit or loss and total assets for the last three years for each segment, see Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations by Segment and Note 12 to our consolidated financial statements for the year ended December 31, 2007.

Patents, Trademarks and Other Intellectual Property Rights

We own several U.S. patents, trademarks, service marks and copyrights. Certain of the trademarks and patents are registered with the U.S. Patent and Trademark Office and, in some cases, with trademark offices of foreign countries. We consider other information owned by us to be trade secrets. We protect our trade secrets by, among other things, entering into confidentiality agreements with our employees and implementing security measures to restrict access to such information. We believe that our safeguards provide adequate protection to our proprietary rights. While we consider all of our intellectual property to be important, we do not consider any single intellectual property right to be essential to our operations as a whole.

Seasonal Aspects, Renegotiation and Backlog

There is a slight decrease in our business during the winter months because of inclement weather conditions and the impact on the construction industry. No material portion of our business is subject to renegotiation of profits or termination of contracts at the election of the government. Because of the just-in-time delivery policy and the short lead-time nature of our business, we do not believe the information on backlog of orders is material to an understanding of our business.

Foreign Operations

We do not derive any material revenue from foreign countries and do not have any material long-term assets or customer relationships outside of the United States. We have no material foreign operations or subsidiaries.

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Research and Development

We do not incur material expenses in research and development activities but do participate in various research and development programs. We address research and development requirements and product enhancement by maintaining a staff of technical support, quality assurance and engineering personnel.

Legal Proceedings

From time to time, we are involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. We believe the resolution of these matters and the incurrence of their related costs and expenses should not have a material adverse effect on our consolidated financial position, results of operations, liquidity or cash flows. 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, cash flows or reputation.

Manufacturing and Facilities

Properties

As of March 31, 2008, we operated 21 metal service centers in the Plates and Shapes Group and 14 facilities in the Flat Rolled and Non-Ferrous Group. These facilities use various metals processing and materials handling machinery and equipment. As of the same date, our Building Products Group operated four manufacturing plants where we process metals into various building products and 30 sales centers. During 2004, nine Building Products locations were closed and two locations were merged. During 2005, the operations of two Building Products locations were merged into other operating locations, and one Building Product location converted from processing metal to a sales and distribution center. During 2006, we acquired one location in the Plates and Shapes Group and added four locations in the Building Products Group, two of which were as a result of an acquisition and one of which was subsequently closed. During 2007, we acquired two locations within our Flat Rolled and Non-Ferrous Group (Union, New Jersey and Anaheim, California). We also closed two locations within our metal service center business our Greenville, Kentucky Plates and Shapes facility and our Chattanooga, Tennessee Flat Rolled and Non-Ferrous facility. We also closed three sales centers within our Building Products Group (Jackson, Mississippi, Ft. Meyers and West Melbourne, Florida). In addition, during December 2007, we announced the closure of our Houston, Texas manufacturing facility, which ceased operations during the first quarter of 2008. We also closed four sales centers (Corona, California, Memphis, Tennessee, Overland, Missouri, and Holly Hill, Florida) during the first quarter of 2008. We continue to serve the marketing areas of the closed facilities with our existing sales force by expanding the responsible territories of our other facilities, and through the use of common carriers for product delivery.

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Many of our facilities are capable of being used at higher capacities, if necessary. We believe that our facilities will be adequate for the expected needs of our existing businesses over the next several years. Our metal service center facilities, Building Products sales centers and manufacturing plants, and administrative offices are located and described as follows:

OPERATING FACILITIES AS OF MARCH 31, 2008

	Location	Square Footage	Owned/Leased
Plates and Shapes Group:			
Northeast Plates and Shapes	Baltimore, Maryland	65,000	Leased
	Seekonk, Massachusetts	115,000	Owned
	Newark, New Jersey	81,000	Owned
	Langhorne, Pennsylvania	235,000	Leased
	Philadelphia, Pennsylvania	85,000	Owned
	York, Pennsylvania	109,000	Owned
South Central Plates and Shapes	Enid, Oklahoma	112,000	Owned
	Tulsa, Oklahoma	533,000	Leased
	Muskogee, Oklahoma(1)	229,000	Owned
	Cedar Hill, Texas	150,000	Owned
Mid-Atlantic Plates and Shapes	Oakwood, Georgia	206,000	Owned
	Greensboro, North Carolina	180,000	Owned
	Wilmington, North Carolina	178,000	Leased
Ohio Valley Plates and Shapes	Canton, Ohio	110,000	Owned
	Ambridge, Pennsylvania	200,000	Leased
	Leetsdale, Pennsylvania	114,000	Leased
Southeast Plates and Shapes	Mobile, Alabama	246,000	Owned
	Jacksonville, Florida	60,000	Owned
	Waggaman, Louisiana	371,000	Owned
	Columbus, Mississippi	45,000	Owned
Southwest Plates and Shapes	Hayward, California	64,000	Leased
Flat Rolled and Non-Ferrous Group:			
	Anaheim, California	22,000	Leased
	Madison, Illinois	100,000	Owned
	Northbrook, Illinois	187,000	Owned
	Jeffersonville, Indiana	90,000	Owned
	Wichita, Kansas	43,000	Leased
	Walker, Michigan	50,000	Owned
	Liberty, Missouri	117,000	Leased
	Union, New Jersey	39,000	Leased
	Randleman, North Carolina	154,000	Owned
	Springfield, Ohio	105,000	Owned
	Wooster, Ohio	140,000	Owned
	Mesquite, Texas	200,000	Leased
	Germantown, Wisconsin	102,000	Owned
	Horicon, Wisconsin	120,000	Leased

	Location	Square Footage	Owned/Leased
Building Products Group:			
Sales Centers	Birmingham, Alabama	12,000	Leased
	Phoenix, Arizona	111,000	Leased
	Tucson, Arizona	9,000	Leased
	Hayward, California	24,000	Leased
	Ontario, California	28,000	Leased
	Rancho Cordova, California	41,000	Leased
	San Diego, California	9,000	Leased
	Clearwater, Florida	20,000	Leased
	Jacksonville, Florida	17,000	Leased
	Lakeland, Florida	24,000	Leased
	Leesburg, Florida	61,000	Leased
	Pensacola, Florida	48,000	Leased
	West Palm Beach, Florida	5,000	Leased
	Stone Mountain, Georgia	14,000	Leased
	Louisville, Kentucky	22,000	Leased
	Kansas City, Missouri	16,000	Leased
	Las Vegas, Nevada	133,000	Leased
	Greensboro, North Carolina	15,000	Leased
	Oklahoma City, Oklahoma	40,000	Leased
	Harrisburg, Pennsylvania	12,000	Leased
	Irmo, South Carolina	38,000	Leased
	Nashville, Tennessee	44,000	Leased
	Dallas, Texas	26,000	Leased
	Houston, Texas	155,000	Leased
	Longview, Texas	15,000	Leased
	Mesquite, Texas	55,000	Leased
	San Antonio, Texas	20,000	Leased
	Weslaco, Texas	21,000	Leased
	Salt Lake City, Utah	23,000	Leased
	Kent, Washington	57,000	Leased
Manufacturing Plants	Brea, California	43,000	Leased
	Buena Park, California	168,000	Leased
	Groveland, Florida	247,000	Leased
	Courtland, Ontario	32,000	Owned
Administrative Locations:			
Corporate Headquarters	Houston, Texas	13,000	Leased
Building Products Group	Houston, Texas	13,000	Leased
i-Solutions	Ft. Washington, Pennsylvania	4,000	Leased

(1) This facility is subject to liens with respect to specific debt obligations, including IRBs.

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ORGANIZATIONAL STRUCTURE

Description of the Apollo Transactions

On May 18, 2005, Metals USA Holdings, Flag Acquisition and Metals USA entered into the Merger Agreement. On November 30, 2005, Flag Acquisition, which was a wholly-owned subsidiary of Flag Intermediate, merged with and into Metals USA, with Metals USA being the surviving corporation. Flag Intermediate and Flag Acquisition conducted no operations during the period from May 9, 2005 (date of inception) to November 30, 2005. As a result of the Merger, all of Metals USA Inc. s issued and outstanding common stock is held indirectly by Metals USA Holdings through Flag Intermediate, its wholly-owned subsidiary. Metals USA Holdings is a holding company and it has no assets, obligations, employees or operations other than those resulting from the Merger, the 2007 Notes and this offering. All of Metals USA Holdings operations are conducted by Metals USA. Metals USA Holdings was formed by Apollo. Investment funds associated with Apollo own approximately 97% of the capital stock of Metals USA Holdings (or approximately 90% on a fully diluted basis) as of March 31, 2008, and will beneficially own approximately % of our common stock, assuming the underwriters do not exercise their over-allotment option. The remainder of the capital stock of Metals USA Holdings is held by members of our management. See Principal Stockholders and Selling Stockholders.

In connection with the Merger, (a) Metals USA entered into the ABL facility and (b) Flag Acquisition completed a private placement of $275.0 million aggregate principal amount of the Metals USA Notes, which Metals USA assumed pursuant to the Merger. In September 2006, Metals USA exchanged $275.0 million aggregate principal amount of the Metals USA Notes that were registered under the Securities Act for an equal principal amount of the Metals USA Notes issued in connection with the Merger.

In addition, at the effective time of the Merger, Apollo and certain members of management of Metals USA contributed $140.0 million to Metals USA Holdings Corp., in exchange for common stock of Metals USA Holdings Corp. The proceeds from the issuance of the Metals USA Notes, borrowings under the ABL facility and the equity investment by Apollo 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. For a more complete description of the indebtedness see Description of Certain Indebtedness.

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Ownership and Corporate Structure

The following diagram sets forth our ownership and organizational structure as of immediately following the completion of this offering (ownership percentages are given assuming the underwriters do not exercise their option to purchase additional shares). The diagram below does not display all of our subsidiaries or i