CASTLE A M & CO
Form 10-K
March 11, 2013

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

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012
Commission File Number: 1-5415

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter is $185,316,143.

The number of shares outstanding of the registrant's common stock on March 1, 2013 was 23,209,389 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Documents Incorporated by Reference	Applicable Part of Form 10-K
Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held April 25, 2013.	Part III

Disclosure Regarding Forward-Looking Statements

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

INDUSTRY AND MARKET DATA

In this report, we rely on and refer to information and statistics regarding the metal service center industry and general manufacturing markets. We obtained this information and these statistics from sources other than us, such as Purchasing magazine and the Institute for Supply Management, which we have supplemented where necessary with information from publicly available sources and our own internal estimates. We have used these sources and estimates and believe them to be reliable.

PART I

ITEM 1 — Business

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

Business and Markets

Company Overview

The Company is a specialty metals (90% of net sales) and plastics (10% of net sales) distribution company serving customers on a global basis. The Company provides a broad range of products and value-added processing and supply chain services to a wide array of customers, principally within the producer durable equipment, oil and gas, aerospace, heavy industrial equipment, industrial goods, construction equipment, retail, marine and automotive sectors of the global economy. Particular focus is placed on the aerospace and defense, oil and gas, power generation, mining, heavy industrial equipment manufacturing, marine, office furniture and fixtures, safety products, life sciences applications, transportation and general manufacturing industries.

The Company’s corporate headquarters are currently located in Oak Brook, Illinois. The Company operates out of 49 service centers located throughout North America (44), Europe (4) and Asia (1). The Company’s service centers hold inventory and process and distribute products to both local and export markets.

Industry and Markets

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

The principal markets served by the Company are highly competitive. Competition is based on service, quality, processing capabilities, inventory availability, timely delivery, ability to provide supply chain solutions and price. The

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Company competes in a highly fragmented industry. Competition in the various markets in which the Company participates comes from a large number of value-added metals processors and service centers on a regional and local basis, some of which have greater financial resources and some of which have more established brand names in the local markets served by the Company.

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

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

Recent Acquisitions

During December 2011, the Company completed its acquisition (the “Acquisition”) of Tube Supply, Inc. (“Tube Supply”), which has expanded the Company’s product offerings in the oil and gas industry. Subsequent to the acquisition, Tube Supply operated as a Limited Liability Corporation until it was merged with A. M. Castle & Co. in September of 2012. The results of Tube Supply are included in the Company’s Metals segment.

Procurement

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

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

At December 31, 2012, the Company had 1,701 full-time employees. Of these, approximately 250 are represented by collective bargaining units, principally the United Steelworkers of America and International Brotherhood of Teamsters.

Business Segments

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

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

	2012		2011		2010	
Metals	90	%	90	%	89	%
Plastics	10	%	10	%	11	%
	100	%	100	%	100	%

Metals Segment

In its Metals segment, the Company’s marketing strategy focuses on distributing highly engineered specialty grades and alloys of metals as well as providing specialized processing services designed to meet very precise specifications. Core products include alloy, aluminum, nickel, stainless steel, carbon and titanium. Inventories of

these products assume many forms such as plate, sheet, extrusions, round bar, hexagon bar, square and flat bar, tubing and coil. Depending on the size of the facility and the nature of the markets it serves, a service center is equipped as needed with bar saws, plate saws, oxygen and plasma arc flame cutting machinery, trepanning machinery, boring machinery, honing equipment, water-jet cutting equipment, stress relieving and annealing furnaces, surface grinding equipment, and sheet shearing equipment.

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

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

Plastics Segment

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

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

Joint Venture

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

Access to SEC Filings

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

ITEM 1A — Risk Factors

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

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

We have recently begun implementing restructuring actions in our metals business, including organizational restructuring, warehouse realignments and performance improvement programs. We expect these measures will result in improvements to annualized operating profits of approximately $33.0 million once fully implemented in 2013. In addition, we continue to evaluate additional options to improve efficiency and performance of our operations. We have made certain assumptions in estimating the anticipated impact of our restructuring and performance enhancement initiatives. These assumptions may turn out to be incorrect due to a variety of factors. In addition, our ability to realize the expected benefits from these initiatives is subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control. Some of our cost saving measures may not have the impact on our operating profitability that we currently project. If we are unsuccessful in implementing these initiatives or if we do not achieve our expected results, our results of operations and cash flows

could be materially adversely affected.

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

We have substantial debt service obligations. As of December 31, 2012, we had approximately $322.5 million of total debt outstanding, excluding capital lease obligations of $1.4 million, of which $264.5 million is secured. As of December 31, 2012, the Company had approximately $50.5 million of availability under our revolving credit facility. Subject to restrictions contained in the debt instruments, we may incur additional indebtedness.

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

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

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

Our debt instruments impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and taking certain actions and our failure to comply with the covenants contained in our debt instruments could result in an event of default that could adversely affect our operating results.

Our debt agreements impose, and future debt agreements may impose, operating and financial restrictions on us. These restrictions limit or prohibit, among other things, our ability to:

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

These covenants could adversely affect our ability to finance our future operations or capital needs, withstand a future downturn in our business or the economy in general, engage in business activities, including future opportunities that may be in our interest, and plan for or react to market conditions or otherwise execute our business strategies. A breach of any of these covenants could result in a default in respect of the related indebtedness. If a default occurs, the

relevant lenders or holders of such indebtedness could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and proceed against any collateral securing that indebtedness. If the maturity of our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and may not be able to continue our operations as planned.

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

Our annual debt service obligations until December 2015, when our revolving credit facility is scheduled to mature, will be primarily limited to interest payments on our outstanding debt securities, with an aggregate principal amount of $282.5 million, and on borrowings under our $100.0 million revolving credit facility of $39.5 million as of December 31, 2012. Our ability to make scheduled payments on or to refinance our debt obligations depends on our future financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. Our business may not generate sufficient cash flow from operations in the future and our currently anticipated levels of revenue and cash flow may not be realized, either or both of which could result in our being unable to repay indebtedness or to fund other liquidity needs. Therefore, we may not be able to maintain or realize a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

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

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

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

Disruptions or shortages in the supply of raw materials could adversely affect our operating results and our ability to meet our customers' demands.

Our business requires materials that are sourced from third party suppliers. If for any reason our primary suppliers of metals should curtail or discontinue their delivery of raw materials to us at competitive prices and in a timely manner, our operating results could suffer. Unforeseen disruptions in our supply bases could materially impact our ability to deliver products to customers. The number of available suppliers could be reduced by factors such as industry consolidation and bankruptcies affecting metals and plastics producers, or suppliers may be unwilling or unable to meet our demand due to industry supply conditions generally. If we are unable to obtain sufficient amounts of raw materials from our traditional suppliers, we may not be able to obtain such raw materials from alternative sources at competitive prices to meet our delivery schedules, which could have an adverse impact on our operating results. To the extent we have quoted prices to customers and accepted orders for products prior to purchasing necessary raw materials, or have existing contracts, we may be unable to raise the price of products to cover all or part of the increased cost of the raw materials to our customers.

In some cases the availability of raw materials requires long lead times. As a result, we may experience delays or shortages in the supply of raw materials. If unable to obtain adequate and timely deliveries of required raw materials, we may be unable to timely supply customers with sufficient quantities of products. This could cause us to lose sales,

incur additional costs, or suffer harm to our reputation.

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

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

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

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

A portion of our sales, particularly in the aerospace industry, are related to contracts awarded to our customers under various U.S. Government defense-related programs. Significant changes in defense spending, or in government priorities and requirements could impact the funding, or the timing of funding, of those defense programs, which could negatively impact our results of operations and financial condition.

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

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

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

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

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

We rely on mill certifications that attest to the physical and chemical specifications of the metal received from our suppliers for resale and generally, consistent with industry practice, do not undertake independent testing of such metals. We rely on our customers to notify us of any metal that does not conform to the specifications certified by the supplying mill. Although our primary sources of products have been domestic mills, we have and will continue to purchase product from foreign suppliers when we believe it is appropriate. In the event that metal purchased from domestic suppliers is deemed to not meet quality specifications as set forth in the mill certifications or customer specifications, we generally have recourse against these suppliers for both the cost of the products purchased and

possible claims from our customers. However, such recourse will not compensate us for the damage to our reputation that may arise from sub-standard products and possible losses of customers. Moreover, there is a greater level of risk that similar recourse will not be available to us in the event of claims by our customers related to products from foreign

suppliers that do not meet the specifications set forth in the mill certifications. In such circumstances, we may be at greater risk of loss for claims for which we do not carry, or do not carry sufficient, insurance.

We are vulnerable to interest rate fluctuations on our indebtedness, which could hurt our operating results.

We are exposed to various interest rate risks that arise in the normal course of business. We finance our operations with fixed and variable rate borrowings. Market risk arises from changes in variable interest rates. Under our revolving credit facility, our interest rate on borrowings is subject to changes based on fluctuations in the LIBOR and prime rates of interest. If interest rates significantly increase, we could be unable to service our debt which could have an adverse effect on our operating results.

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

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

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

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

We may not be able to realize the benefits we anticipate from our acquisitions, including the Tube Supply acquisition.

In December 2011 we acquired Tube Supply, Inc. We intend to continue to seek attractive opportunities to acquire other businesses in the future. Achieving the benefits of these acquisitions depends on the timely, efficient and successful execution of a number of post-acquisition events, including our integration of the acquired businesses. Factors that could affect our ability to achieve the benefits we anticipate from our acquisition include:

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

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

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

Our largest facility, in Franklin Park, Illinois, serves as a primary distribution center that ships product to our other facilities as well as external customers. Our business could be adversely impacted by a major disruption at this facility due to unforeseen developments occurring in or around the facility, such as:

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

A prolonged disruption of the services and capabilities of our Franklin Park facility and operation could adversely impact our operating results.

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

Over the last several years we have been implementing a new enterprise-wide resources planning ("ERP") system. While we have completed the conversions of substantially all of our North American and European locations onto the new ERP system, we can provide no assurance that the continued phased-implementation at our remaining facilities, including Tube Supply, will be successful or will occur as planned. Difficulties associated with the design and implementation of the new ERP system could adversely affect our business, our customer service and our operating results.

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

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

As of December 31, 2012, approximately 15% of our U.S. employees were represented by unions under collective bargaining agreements, including hourly warehouse employees at our primary distribution center in Franklin Park, Illinois. As these agreements expire, there can be no assurance that we will succeed in concluding collective bargaining agreements with the union to replace those that expire. Although we believe that our labor relations have generally been satisfactory, we cannot predict how stable our relationships with these labor organizations will be or whether we will be able to meet union requirements without impacting our operating results and financial condition. The unions may also limit our flexibility in dealing with our workforce. Work stoppages and instability in our union relationships could negatively impact the timely processing and shipment of our products, which could strain relationships with customers and adversely affect our operating results.

An impairment or restructuring charge could have an adverse effect on our operating results.

We continue to evaluate opportunities to reduce costs and improve operating performance. These actions could result in restructuring and related charges, including but not limited to asset impairments, employee termination costs, charges for pension benefits, and pension curtailments that could be significant, which could adversely affect our financial condition and results of operations.

We have a significant amount of long-lived assets, including goodwill and intangible assets. We review the recoverability of goodwill annually or whenever significant events or changes occur which might impair the recovery of recorded costs, making certain assumptions regarding future operating performance. We review the recoverability of definite lived intangible assets and other long-lived assets whenever significant events or changes occur which might impair the recovery of recorded costs, making certain assumptions regarding future operating performance. The results of these calculations may be affected by the current or further declines in the market conditions for our products, as well as interest rates and general economic conditions. If impairment is determined to exist, we will incur impairment losses, which will have an adverse effect on our operating results and our ability to remain in compliance with certain financial covenants contained in our debt instruments.

We could incur substantial costs in order to comply with, or to address any violations under, environmental and employee health and safety laws, which could adversely affect our operating results.

Our operations are subject to various environmental statutes and regulations, including laws and regulations governing materials we use. In addition, certain of our operations are subject to international, federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. Our operations are also subject to various employee safety and health laws and regulations, including those concerning occupational injury

and illness, employee exposure to hazardous materials and employee complaints. Certain of our facilities are located in industrial areas, have a history of heavy industrial use and have been in operation for many years and, over time, we and other

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predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Currently unknown cleanup obligations at these facilities, or at off-site locations at which materials from our operations were disposed, could result in future expenditures that cannot be currently quantified but which could have an adverse effect on our operating results.

We may face risks associated with current or future litigation and claims.

From time to time, we are involved in a variety of lawsuits, claims and other proceedings relating to the conduct of our business. These suits concern issues including contract disputes, employment actions, employee benefits, taxes, environmental, health and safety, personal injury and product liability matters. Due to the uncertainties of litigation, we can give no assurance that we will prevail on all claims made against us in the lawsuits that we currently face or that additional claims will not be made against us in the future. While it is not feasible to predict the outcome of all pending lawsuits and claims, we do not believe that the disposition of any such pending matters is likely to have an adverse effect on our financial condition or liquidity, although the resolution in any reporting period of one of more of these matters could have an adverse effect on our operating results for that period. Also, we can give no assurance that any other lawsuits or claims brought in the future will not have an adverse effect on our financial condition, liquidity or operating results.

Potential environmental legislative and regulatory actions could impose significant costs on the operations of our customers and suppliers, which could have a material adverse impact on our results of operations, financial condition and cash flows.

Climate change regulation or some form of legislation aimed at reducing greenhouse gas ("GHG") emissions is currently being considered in the United States as well as globally. As a metals and plastics distributor, our operations do not emit significant amounts of GHG. However, the manufacturing processes of many of our suppliers and customers are energy intensive and generate carbon dioxide and other GHG emissions. Any adopted future climate change and GHG regulations may impose significant costs on the operations of our customers and suppliers and indirectly impact our operations.

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

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

Commodity hedging transactions may expose us to loss or limit our potential gains.

We have entered into certain fixed price sales contracts with customers which expose us to risks associated with fluctuations in commodity prices. As part of our risk management program, we may use financial instruments from time-to-time to mitigate all or portions of these risks, including commodity futures, forwards or other derivative instruments. While intended to reduce the effects of the commodity price fluctuations, these transactions may limit our potential gains or expose us to losses. Also, should our counterparties to such transactions fail to honor their obligations due to financial distress we would be exposed to potential losses or the inability to recover anticipated gains from these transactions.

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

As of December 31, 2012, based on filings made with the SEC and other information made available to us as of that date, we believe Patrick J. Herbert, III, one of our directors, may be deemed to beneficially own approximately 22.8%

of our common stock. Accordingly, Mr. Herbert and his affiliates may have the voting power to substantially control the outcome of matters requiring a stockholder vote including the election of directors and the approval of significant

corporate matters. Such a concentration of control could adversely affect the market price of our common stock or prevent a change in control or other business combinations that might be beneficial to us.

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

On August 31, 2012, our Board of Directors adopted a shareholder rights plan pursuant to which one purchase right was distributed as a dividend on each share of our common stock held of record as of the close of business on September 11, 2012. Upon becoming exercisable, each right will entitle its holder to purchase from the Company one one-hundredth of a share of our Series B Junior Preferred Stock for the purchase price of $54.00. Generally, the rights will become exercisable ten days after the date on which any person or group becomes the beneficial owner of 10% or more of our common stock or has commenced a tender or exchange offer which, if consummated, would result in any person or group becoming the beneficial owner of 10% or more of our common stock, subject to the terms and conditions set forth in the shareholder rights plan. The rights are attached to the certificates representing outstanding shares of common stock until the rights become exercisable, at which point separate certificates will be distributed to the record holders of our common stock. If a person or group becomes the beneficial owner of 10% or more of our common stock, which we refer to as an “acquiring person,” each right will entitle its holder, other than the acquiring person, to receive upon exercise a number of shares of our common stock having a market value of two times the purchase price of the right.

The shareholder rights plan is designed to deter coercive takeover tactics and to prevent an acquirer from gaining control of the Company without offering a fair price to all of our stockholders. The existence of the shareholder rights plan, however, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding common stock, and thereby adversely affect the market price of our common stock.

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

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

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

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

As of December 31, 2012, we had approximately $57.5 million of aggregate principal amount outstanding under the Convertible Notes. The Convertible Notes bear cash interest semiannually at a rate of 7.0% per year, and mature on December 15, 2017. Upon the occurrence of a fundamental change (as defined in the indenture for the Convertible Notes), we may be required to repurchase some or all of the Convertible Notes for cash at a repurchase price equal to 100% of the principal amount of the Convertible Notes being repurchased, plus any accrued and unpaid interest up to but excluding the relevant fundamental change repurchase date. We may not have sufficient funds to satisfy such cash obligations and, in such circumstances, may not be able to arrange the necessary financing on favorable terms or at all. In addition, our ability to satisfy such cash obligations will be restricted pursuant to covenants contained in the indenture for the Convertible Notes and will be permitted to be paid only in limited circumstances. We may also be

limited in our ability to satisfy such cash obligations by applicable law or the terms of other instruments governing our indebtedness. Our inability to make cash payments to satisfy our obligations described above would trigger an event of default under the Convertible Notes, which in turn could constitute an event of default under any of our outstanding indebtedness, thereby resulting in the acceleration of such indebtedness, the prepayment of which could further restrict our ability to satisfy such cash obligations.

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

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

ITEM 1B — Unresolved Staff Comments

None.

ITEM 2 — Properties

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

Locations	Approximate Floor Area in Square Feet	
Metals Segment		
North America		
Bedford Heights, Ohio	374,400	(1)
Birmingham, Alabama	76,000	(1)
Blaine, Minnesota	65,200	(1)
Charlotte, North Carolina	116,500	(1)
Edmonton, Alberta	87,103	
Fairless Hills, Pennsylvania	71,600	(1)
Franklin Park, Illinois	522,600	(1)
Gardena, California	117,000	
Grand Prairie, Texas	78,000	(1)
Hammond, Indiana (H-A Industries)	243,000	
Houston, Texas	383,100	(3)
Kansas City, Missouri	118,000	
Kennesaw, Georgia	87,500	
Kent, Washington	53,000	
Lafayette, Louisiana	5,000	
Mississauga, Ontario	57,000	
Orange, Connecticut	57,389	
Paramount, California	155,500	
Point Claire, Quebec	38,760	
Santa Cantarina, Nuevo Leon, Mexico	112,000	
Saskatoon, Saskatchewan	15,000	
Selkirk, Manitoba	50,000	(1)
Stockton, California	60,000	
Twinsburg, Ohio	120,000	
Wichita, Kansas	95,000	

Locations	Approximate Floor Area in Square Feet	
Worcester, Massachusetts	53,500	(1)
Europe		
Blackburn, England	62,139	
Letchworth, England	40,000	
Trafford Park, England	30,000	
Montoir de Bretagne, France	38,944	
Asia		
Shanghai, China	45,700	
Sales Offices		
Bilbao, Spain	(Intentionally left blank)	
Fairfield, Ohio		
Milwaukee, Wisconsin		
Phoenix, Arizona		
Singapore		
Tulsa, Oklahoma		
Total Metals Segment	3,428,935	
Plastics Segment		
Baltimore, Maryland	24,000	
Cleveland, Ohio	8,600	
Cranston, Rhode Island	14,990	
Detroit, Michigan	22,000	
Elk Grove Village, Illinois	22,500	
Fort Wayne, Indiana	17,600	
Grand Rapids, Michigan	42,500	(1)
Harrisburg, Pennsylvania	13,900	
Indianapolis, Indiana	13,500	
Kalamazoo, Michigan	81,000	
Knoxville, Tennessee	16,530	
Maple Shade, New Jersey	12,480	
Mt. Vernon, New York	30,000	
New Philadelphia, Ohio	15,700	
Pittsburgh, Pennsylvania	12,800	
Rockford, Michigan	53,600	
Tampa, Florida	17,700	
Worcester, Massachusetts	2,500	(1)
Total Plastics Segment	421,900	
Headquarters		
Oak Brook, Illinois	39,360	(2)
GRAND TOTAL	3,890,195	

(1) Represents owned facility.
(2) The Company's principal executive offices do not include a distribution or sales office.
(3) Represents two leased facilities (274,000 square feet) and one owned facility (109,100 square feet).

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ITEM 3 — Legal Proceedings
(Amounts in thousands)
The Company is party to a variety of legal proceedings and other claims, including proceedings by government authorities, which arise from the operation of its business. These proceedings are incidental and occur in the normal course of the Company's business affairs. The majority of these claims and proceedings relate to commercial disputes with customers, suppliers, and others; employment, including benefit matters; product quality; and environmental, health and safety claims. It is the opinion of management that the currently expected outcome of these proceedings and claims, after taking into account recorded accruals and the availability and limits of our insurance coverage, will not have a material adverse effect on the consolidated results of operations, financial condition or cash flows of the Company.
Government Proceeding
In 2011, the Company determined that it inadvertently exported certain aluminum alloy bar that are listed on the U.S. Bureau of Industry and Security's (BIS) Commerce Control List to countries where there is an export license requirement if an exception is not otherwise available. The exports, which occurred in 2011, had a total transaction value of approximately $13 and were made without export licenses. The exports involved five shipments to the Company's wholly-owned subsidiary in China and to a customer in the Philippines. In response thereto, the Company submitted a voluntary self-disclosure describing the nature of these shipments to the Office of Export Enforcement of the Department of Commerce (OEE) in accordance with applicable Export Administration Regulations. If it is determined that the Company failed to comply with the applicable U.S. export regulations, the OEE could assess civil penalties of up to $1,250, restrict export privileges or provide an administrative warning. While the ultimate disposition of this matter cannot be predicted with certainty, it is the opinion of management, based on the information available at this time, that the outcome of this matter will not have a material effect on the Company's financial position, results of operations or cash flows.
ITEM 4 — Mine Safety Disclosures
Not applicable.
Executive Officers of The Registrant
The following selected information for each of our current executive officers (as defined by regulations of the SEC) was prepared as of March 4, 2013.

Name and Title	Age	Business Experience
Patrick R. Anderson Vice President, Corporate Controller and Chief Accounting Officer	41	Mr. Anderson began his employment with the registrant in 2007 and was elected to the position of Vice President, Corporate Controller and Chief Accounting Officer. Prior to joining the registrant, he was employed as a Senior Manager with Deloitte & Touche LLP (a global accounting firm) where he was employed from 1994 to 2007.
Scott J. Dolan President and Chief Executive Officer	42	Mr. Dolan most recently served as Senior Vice President, Airport Operations and Cargo, of United Continental Holdings, Inc. (a $37 billion publicly traded provider of passenger and cargo air transportation services), and its principal wholly-owned subsidiaries, United Airlines and Continental Airlines, from 2010 to 2011. From 2004 until 2010, Mr. Dolan served as Senior Vice President, Airport Operations and President, United Cargo (2006-2010) and as Senior Vice President and President, United Cargo (2004-2006) for UAL Corporation and its principal subsidiary, United Airlines. Mr. Dolan worked at Atlas Air Worldwide Holdings, Inc. (a global airfreight company) from 2002 to 2004, where he served as Senior Vice President and Chief Operating Officer from 2003-2004 and as Vice President, Business Integration from

2002 to 2003. Prior to joining Atlas Air, Mr. Dolan spent five years at General Electric Company, where he served in a variety of positions including Vice President, Operational Performance, Polar Air Cargo, a subsidiary of GE Capital Aviation Services.

Name and Title	Age	Business Experience
Thomas L. Garrett Vice President and President, Total Plastics, Inc.	50	Mr. Garrett began his employment with Total Plastics, Inc., a wholly owned subsidiary of the registrant, in 1988 and was appointed to the position of Controller. In 1996, he was elected to the position of Vice President and in 2001 was appointed to the position of Vice President of the registrant and President of Total Plastics, Inc.
Kevin H. Glynn Vice President and Chief Information Officer	49	Mr. Glynn began his employment with the registrant in October 2010 as the Interim Chief Information Officer. In January 2011 he was appointed Vice President and Chief Information Officer. Prior to joining the registrant, he was employed as a Managing Principal at Laminar Group LLC (a management consulting company) from 2009 to 2010, Chief Operating Officer at IRON Solutions, Inc. (an information technology company specializing in data, software and media services for the agriculture equipment market) from 2008 to 2009 and as Senior Vice President and Chief Information Officer at CNH America, LLC (a manufacturer of agricultural and construction equipment) from 2006 to 2007.
Robert J. Perna Vice President, General Counsel and Secretary	49	Mr. Perna began his employment with the registrant in 2008 and was elected to the position of Vice President-General Counsel and Secretary. Prior to joining the registrant he was General Counsel, North America, CNH America, LLC (a manufacturer of agricultural and construction equipment) since 2007, and he also served as Associate General Counsel and Corporate Secretary for Navistar International Corporation (a manufacturer of commercial trucks and diesel engines) since 2001.
Anne D. Scharm Vice President, Human Resources	36	Ms. Scharm began her employment with the registrant in 2011 as the Director of Organizational Development. In December 2011, she was appointed as the Interim Vice President, Human Resources. In March 2012, she was appointed Vice President, Human Resources. Prior to joining the registrant, she was employed as Director of Human Resources and Organizational Development with Delnor Health System, (now known as Cadence Health - a healthcare organization) from 2006 to 2011.
Scott F. Stephens Vice President, Chief Financial Officer and Treasurer	43	Mr. Stephens began his employment with the registrant in 2008 and was elected to the position of Vice President, Chief Financial Officer, and Treasurer. From February 2010 to December 2010, he was also appointed to the position of Interim President, Castle Metals Oil & Gas. In May 2012, Mr. Stephens was elected to serve as Interim Chief Executive Officer until October 2012. Formerly, he served as the CFO of Lawson Products, Inc. (a distributor of services, systems and products to the MRO and OEM marketplace) from 2004 to 2008, and CFO of The Wormser Company from 2001 to 2004.
Blain A. Tiffany Chief Commercial Officer	54	Mr. Tiffany began his employment with the registrant in 2000 and was appointed to the position of District Manager. He was appointed Eastern Region Manager in 2003, Vice President –

Regional Manager in 2005 and in 2006 was appointed to the position of Vice President – Sales. In 2007, Mr. Tiffany was appointed to the position of Vice President, President of Castle Metals Plate. In 2009, Mr. Tiffany served as Vice President, President of Castle Metals Aerospace through 2011. In 2012, Mr. Tiffany served as Vice President, Castle Metals and in January 2013 was appointed to the position of Chief Commercial Officer.

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PART II

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

The Company’s common stock trades on the New York Stock Exchange under the ticker symbol “CAS”. As of March 1, 2013 there were approximately 880 shareholders of record. Payment of cash dividends and repurchase of common stock are currently limited due to restrictions contained in the Company’s debt agreements. No cash dividends were paid on the Company’s common stock in 2012 and 2011. We may consider paying cash dividends on the Company common stock at some point in the future, subject to the limitations described above. Any future payment of cash dividends, if any, is at the discretion of the Board of Directors and will depend on the Company’s earnings, capital requirements and financial condition, restrictions under the Company’s debt instruments, and such other factors as the Board of Directors may consider.

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

The table below presents shares of the Company’s common stock which were acquired by the Company during the quarter ended December 31, 2012:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs
October 1 through October 31	—	—	—	—
November 1 through November 30	—	—	—	—
December 1 through December 31	24,469	$14.77	—	—
Total	24,469	$14.77	—	—

(1) The total number of shares purchased represents shares surrendered to the Company by employees to satisfy tax withholding obligations upon vesting of restricted stock units awarded pursuant to the Company’s 2010 - 2012 Long-Term Compensation Plan.

On October 15, 2012 the Company granted 78,492 restricted stock units to Scott J. Dolan, President and Chief Executive Officer, as an equity inducement award. The restricted stock units subject to the inducement award will vest in four equal annual installments, subject to Mr. Dolan's continued employment by the Company. At the time of vesting, the Company will issue to Mr. Dolan in cancellation of the restricted stock units, the number of shares of common stock of the Company equal to the number of restricted stock units. The inducement award was granted outside of the Company's 2008 Omnibus Incentive Plan, authorized by the independent members of the Human Resources Committee of the Company's Board of Directors and granted as an inducement material to Mr. Dolan's employment with the Company in accordance with Section 303A.08 of the New York Stock Exchange Listed Company Manual. The issuance of these shares of restricted stock units was made in reliance upon the exemptions form registration provided by Section 4(2) under the Securities Act of 1933, as amended.

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

	2012		2011	
	Low	High	Low	High
First Quarter	$9.59	$12.90	$15.14	$19.29
Second Quarter	$9.65	$14.20	$15.25	$19.24
Third Quarter	$6.99	$13.54	$10.37	$18.46

Fourth Quarter	$10.83	$14.97	$7.85	$14.91

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The following graph compares the cumulative total stockholder return on our common stock for the five-year period ended December 31, 2012, with the cumulative total return of the Standard and Poor's 500 Index and to a peer group index. The comparison in the graph assumes the investment of $100 on December 31, 2007. Cumulative total stockholder return means share price increases or decreases plus dividends paid, with the dividends reinvested, and reflect market capitalization weighting. The graph does not forecast future performance of our common stock. The Company moved to a new peer group index during 2010 in conjunction with the establishment of a relative total shareholder return performance measure under the Company's long term compensation plan. The Company believes this new peer group provides a more meaningful comparison of our stock performance. The new peer group index is made up of companies in the metals industry or in the industrial products distribution business, although not all of the companies included in the new peer group index participate in all of the lines of business in which the Company is engaged and some of the companies included in the peer group index also engage in lines of business in which the Company does not participate. Additionally, the market capitalizations of many of the companies in the peer group are quite different from that of the Company.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

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

*$100 invested on 12/31/07 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31.

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	12/07	12/08	12/09	12/10	12/11	12/12
A. M. Castle & Co.	$100.00	$40.32	$51.30	$68.99	$35.45	$55.35
S&P 500	100.00	63.00	79.67	91.67	93.61	108.59
Peer Group (a)	100.00	51.46	69.81	84.89	76.47	78.43

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

ITEM 6 — Selected Financial Data

The Selected Financial Data in the table below includes the results of the December 2011 and January 2008 acquisitions of Tube Supply and Metals U.K., respectively, from the date of acquisition.

(dollars in millions, except per share data)	2012	2011	2010	2009	2008
For the year ended December 31:					
Net sales	$1,270.4	$1,132.4	$943.7	$812.6	$1,501.0
Equity in earnings of joint venture	7.2	11.7	5.6	0.4	8.8
Net loss from continuing operations	(9.7)	(1.8)	(5.6)	(26.9)	(17.1)
Basic (loss) earnings per common share from continuing operations	(0.42)	(0.08)	(0.25)	(1.18)	(0.76)
Diluted (loss) earnings per common share from continuing operations	(0.42)	(0.08)	(0.25)	(1.18)	(0.76)
Cash dividends declared per common share	—	—	—	0.06	0.24
As of December 31:					
Total assets	788.8	822.3	529.4	558.0	679.0
Long-term debt, less current portion	296.2	314.2	61.1	67.7	75.0
Total debt	297.1	314.9	69.1	89.2	117.1
Total stockholders' equity	337.3	312.3	313.5	318.2	347.3

ITEM 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations

Amounts in millions except per share data

Information regarding the business and markets of A.M. Castle & Co. and its subsidiaries (the "Company"), including its reportable segments, is included in Item 1 "Business" of this annual report on Form 10-K.

The following discussion should be read in conjunction with Item 6 "Selected Financial Data" and the Company's consolidated financial statements and related notes thereto in Item 8 "Financial Statements and Supplementary Data".

EXECUTIVE OVERVIEW

The Company's strategy is to become the foremost global provider of specialty metals products and services and specialized supply chain solutions to targeted global industries.

During 2012, the following significant events occurred which impacted the Company's operations and/or financial results:

- Lower LIFO charges and the inclusion of Tube Supply's activity in 2012 resulted in decreased cost of materials as a percentage of sales to 73.0% in 2012 compared to 74.7% in 2011;
- Increased operating income as a percentage of sales to 3.2%, up from 0.5% in 2011;
- Expanded operations in the United Kingdom to support the continued increase in aerospace defense program business; and
- In the first four months of 2012, the Company recognized $15.6 million of interest expense related to the mark-to-market adjustment on the conversion option associated with the convertible debt. In April, the Company reclassified the cumulative value of the conversion option associated with the convertible debt to additional paid-in capital as a result of the authorization of additional shares of common stock and the conversion option is no longer required to be marked-to-market through earnings.

Recent Market and Pricing Trends

The Company experienced decreased demand from its customer base during the second half of 2012 in the Metals segment as customer buying patterns slowed to reflect a more cautious outlook. Industry data indicates that U.S. service center steel shipments were higher than 2011 levels by approximately 1%, while U.S. service center aluminum shipments were approximately 1% lower in 2012 compared to 2011 levels. Virtually all key end-use

markets experienced decreases in demand in the Company's Metals segment during 2012. The Plastics segment experienced an increase in demand for its products in 2012 compared to 2011, reflecting continued strength in the automotive sector. Due to the late-cycle nature of the Company's targeted customers, results typically lag the general economic cycle by twelve months.

Pricing across the majority of the Company's markets started strong during 2012 and then softened for the majority of the year. The combination of factors above negatively impacted the Company's operating results during the last three quarters of 2012.

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

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

Current Business Outlook

Management uses the Purchasing Managers Index ('PMI') provided by the Institute for Supply Management (website is www.ism.ws) as an external indicator for tracking the demand outlook and possible trends in its general manufacturing markets. The table below shows PMI trends from the first quarter of 2010 through the fourth quarter of 2012. Generally speaking, according to the ISM, an index above 50.0 indicates growth in the manufacturing sector of the U.S. economy, while readings under 50.0 indicate contraction.

YEAR	Qtr 1	Qtr 2	Qtr 3	Qtr 4
2010	58.2	58.8	55.4	56.8
2011	61.1	56.4	51.0	52.4
2012	53.3	52.7	50.3	50.6

Material pricing and demand in both the Metals and Plastics segments of the Company's business have historically proven to be difficult to predict with any degree of accuracy. A favorable PMI trend suggests that demand for some of the Company's products and services, in particular those that are sold to the general manufacturing customer base in the U.S., could potentially be at a higher level in the near-term. The PMI trended upward from late 2012 levels in the first two months of 2013 to 53.1 in January and 54.2 in February. The Company believes that its revenue trends typically correlate to the changes in PMI on a six to twelve month lag basis.

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

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

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

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

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

- Warehouse, processing and delivery expenses, including occupancy costs, compensation and employee benefits for warehouse personnel, processing, shipping and handling costs;
- Sales expenses, including compensation and employee benefits for sales personnel;

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- General and administrative expenses, including compensation for executive officers and general management, expenses for professional services primarily related to accounting and legal advisory services, bad debt expense, data communication, computer hardware and maintenance and foreign currency gain or loss; and
- Depreciation and amortization expenses, including depreciation for all owned property and equipment, and amortization of various intangible assets.

2012 Results Compared to 2011

As a result of the acquisition of Tube Supply in December 2011, the full year results were included in the Company's Metals segment during 2012.

Consolidated results by business segment are summarized in the following table for years 2012 and 2011.

Operating Results by Segment

	Year Ended December 31,		Fav / (Unfav)	
	2012	2011	$ Change	% Change
Net Sales				
Metals	$1,143.9	$1,014.2	$129.7	12.8 %
Plastics	126.5	118.2	8.3	7.0 %
Total Net Sales	$1,270.4	$1,132.4	$138.0	12.2 %
Cost of Materials				
Metals	$836.3	$763.0	$(73.3)	(9.6)%
% of Metals Sales	73.1 %	75.2 %		
Plastics	91.0	82.6	(8.4)	(10.2)%
% of Plastics Sales	71.9 %	69.9 %		
Total Cost of Materials	$927.3	$845.6	$(81.7)	(9.7)%
% of Total Sales	73.0 %	74.7 %		
Operating Costs and Expenses				
Metals	$257.8	$237.7	$(20.1)	(8.5)%
Plastics	32.3	32.7	0.4	1.2 %
Other	11.9	11.2	(0.7)	(6.3)%
Total Operating Costs & Expenses	$302.0	$281.6	$(20.4)	(7.2)%
% of Total Sales	23.8 %	24.9 %		
Operating Income (Loss)				
Metals	$49.8	$13.5	$36.3	268.9 %
% of Metals Sales	4.4 %	1.3 %		
Plastics	3.2	2.9	0.3	10.3 %
% of Plastics Sales	2.5 %	2.5 %		
Other	(11.9)	(11.2)	(0.7)	(6.3)%
Total Operating Income	$41.1	$5.2	$35.9	690.4 %
% of Total Sales	3.2 %	0.5 %		

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

Net Sales:

Consolidated net sales were $1,270.4 million in 2012, an increase of $138.0 million, or 12.2%, versus 2011. Metals segment net sales during 2012 of $1,143.9 million were $129.7 million, or 12.8%, higher than 2011. Tube Supply contributed net sales of $178.5 million in 2012 compared to $7.6 million for the two-week period ended December 31, 2011. Excluding Tube Supply results, net sales for the Metals segment were $41.2 million lower in

2012 compared to 2011. Lower net sales were primarily the result of lower shipping volumes. Average tons sold per day, excluding Tube Supply, decreased 3.9% compared to the prior year. The decrease in demand experienced in 2012 was driven primarily by SBQ bar, carbon bar and aluminum products. Excluding Tube Supply, gains in the oil and gas business were offset by weakness in the industrial business in 2012 compared to 2011.

Plastics segment net sales during 2012 of $126.5 million were $8.3 million, or 7.0%, higher than 2011 primarily due to increased sales volume, reflecting continued strength in the automotive sector.

Cost of Materials:

Cost of materials (exclusive of depreciation and amortization) were $927.3 million, an increase of $81.7 million, or 9.7%, compared to 2011. Material costs for the Metals segment were $836.3 million or 73.1% as a percent of net sales compared to $763.0 million or 75.2% as a percent of net sales in 2011. Tube Supply cost of materials were $118.7 million in 2012 compared to $5.3 million for the two-week period ended December 31, 2011. During 2011, the Company implemented a commodity hedging program to mitigate the risks associated with certain commodity price fluctuations. The 2012 results include a $0.4 million charge associated with the realized and unrealized losses for forward contracts related to the commodity hedging program compared to a $2.4 million charge in 2011. Cost of materials for the Metals segment include a LIFO charge of $1.1 million in 2012 compared to $15.1 million in 2011. The remaining increase in cost of materials for the Metals segment is consistent with the sales volume increase year-over-year.

Material costs for the Plastics segment were 71.9% as a percent of net sales in 2012 as compared to 69.9% for the same period last year due to higher costs experienced in the automotive sector of the business.

Operating Expenses and Operating Income (Loss):

Operating costs and expenses increased $20.4 million, or 7.2%, compared to last year. Operating costs and expenses for 2012 were $302.0 million, or 23.8% as a percent of net sales, compared to $281.6 million million, or 24.9% as a percent of net sales last year. Operating costs related to Tube Supply were $32.9 million in 2012 compared to $0.9 million in 2011.

During the second quarter of 2012, the Company incurred costs associated with executive employment transition in the amount of $1.6 million. As a result of the transition, share-based awards were forfeited, which resulted in a significant increase in the Company's forfeiture rate. The increase in the forfeiture rate estimate associated with the active Long-term Compensation Plans resulted in a decrease in sales, general and administrative cost of approximately $1.0 million. The net impact of the employment transition costs on sales, general and administrative expense was approximately $0.6 million.

The increase in operating expenses for 2012 compared to 2011 primarily relates to the following:

- Warehouse, processing and delivery costs increased by $13.4 million of which a $15.6 million increase is associated with the increase for Tube Supply for the period. The Tube Supply impact was offset by a $2.2 million decrease primarily attributed to a decline in workers' compensation, overtime wage, temporary employee and utilities costs, partially offset by an increase in compensation and benefits expense as a result of headcount, merit and healthcare cost increases and rent expense due to a full year of expense for the expanded facility in Mexico, which was substantially completed in 2011 and rent expense for the new facility in Trafford Park, United Kingdom during 2012;
- Sales, general and administrative costs increased by $1.6 million of which a $9.8 million increase is associated with the increase for Tube Supply for the period. The net impact of the CEO transition costs of $0.6 million and an increase to bad debt reserves for customer bankruptcies of $0.8 million were included in the 2012 results. The 2011 results include a $0.9 million charge for export penalties related to product shipments that occurred from 2005 to 2008 and $4.3 million for charges related to the acquisition of Tube Supply. The remaining decrease of $4.6 million is primarily attributed to a decline incentive compensation and other compensation and benefits costs, partially offset by an increase in workers' compensation and outside services costs; and
- Depreciation and amortization expense was $5.4 million higher than 2011 primarily due to the depreciation and amortization of Tube Supply's fixed and intangible assets acquired in December 2011.

Consolidated operating income for 2012 was $41.1 million compared to $5.2 million in 2011.

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Other Income and Expense, Income Taxes and Net Loss:
Interest expense was $56.7 million in 2012, an increase of $36.9 million versus 2011 as a result of interest charges on the Company's new senior secured and convertible notes, as well as the unrealized loss for the mark-to-market adjustment on the conversion option associated with the convertible notes.
The increase in interest expense for 2012 compared to the prior year is a result of the following:

- Increase for the non-cash interest charge of $11.6 million associated with the mark-to-market adjustment on the conversion option associated with the convertible notes, which is not deductible for federal income tax purposes;
- Increase for interest on senior secured and convertible notes of $31.0 million; and
- Increase for amortization of deferred financing fees and debt discount of $1.1 million.

In addition to items above, there was a loss on extinguishment of the Company's existing long-term notes of $6.2 million and a charge for underwriting fees associated with the debt financing of $3.4 million recorded in 2011.
The Company recorded income tax expense of $1.4 million in 2012 compared to a tax benefit of $1.1 million in 2011. The Company's effective tax rate is expressed as 'Income tax benefit' (which includes tax expense on the Company's share of joint venture earnings) as a percentage of 'Loss before income taxes and equity in earnings of joint venture.' This calculation includes taxes on the joint venture income but excludes joint venture income. The effective tax rate for 2012 and 2011 was 9.2% and 7.7%, respectively. The change in the effective tax rate for 2012 compared to 2011 was primarily the result of the non-deductibility of the change in the mark-to-market adjustment on the conversion option associated with the convertible notes in the amount of $11.6 million.
Equity in earnings of the Company's joint venture was $7.2 million in 2012 compared to $11.7 million in 2011. The decrease is a result of lower demand in virtually all of the joint venture's end-use markets compared to last year.
Consolidated net loss for 2012 was $9.7 million, or $0.42 per diluted share, compared to net loss of $1.8 million, or $0.08 per diluted share, for 2011.

2011 Results Compared to 2010

Consolidated results by business segment are summarized in the following table for years 2011 and 2010.

Operating Results by Segment

	Year Ended December 31,		Fav / (Unfav)	
	2011	2010	$ Change	% Change
Net Sales				
Metals	$1,014.2	$841.1	$173.1	20.6 %
Plastics	118.2	102.6	15.6	15.2 %
Total Net Sales	$1,132.4	$943.7	$188.7	20.0 %
Cost of Materials				
Metals	$763.0	$631.1	$(131.9)	(20.9)%
% of Metals Sales	75.2 %	75.0 %		
Plastics	82.6	69.8	(12.8)	(18.3)%
% of Plastics Sales	69.9 %	68.0 %		
Total Cost of Materials	$845.6	$700.9	$(144.7)	(20.6)%
% of Total Sales	74.7 %	74.3 %		
Operating Costs and Expenses				
Metals	$237.7	$215.5	$(22.2)	(10.3)%
Plastics	32.7	29.3	(3.4)	(11.6)%
Other	11.2	7.4	(3.8)	(51.4)%
Total Operating Costs & Expenses	$281.6	$252.2	$(29.4)	(11.7)%
% of Total Sales	24.9 %	26.7 %		
Operating (Loss) Income				
Metals	$13.5	$(5.5)	$19.0	345.5 %
% of Metals Sales	1.3 %	(0.7)%		
Plastics	2.9	3.6	(0.7)	(19.4)%
% of Plastics Sales	2.5 %	3.5 %		
Other	(11.2)	(7.4)	(3.8)	(51.4)%
Total Operating (Loss)	$5.2	$(9.3)	$14.5	155.9 %
% of Total Sales	0.5 %	(1.0)%		

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

Net Sales:

Consolidated net sales were $1,132.4 million in 2011, an increase of $188.7 million, or 20.0%, versus 2010. Metals segment net sales during 2011 of $1,014.2 million were $173.1 million, or 20.6%, higher than 2010. Tube Supply contributed net sales of $7.6 million for the two-week period ended December 31, 2011. Higher net sales were primarily the result of higher shipping volumes. Average tons sold per day, excluding Tube Supply, increased 18.1% compared to the prior year. The increase in demand experienced in 2011 was driven primarily by SBQ bar, alloy bar, carbon and alloy plate, stainless and tubing products. Key end-use markets that experienced increased demand in 2011 compared to 2010 include oil and gas, mining and heavy equipment and general industrial markets.

Plastics segment net sales during 2011 of $118.2 million were $15.6 million, or 15.2%, higher than 2010 primarily due to higher overall pricing and, to a lesser extent, increased sales volume. The Plastics business experienced increased sales volume during 2011 reflecting strength in the automotive and office furniture end-use markets compared to 2010.

Cost of Materials:

Cost of materials (exclusive of depreciation and amortization) were $845.6 million, an increase of $144.7 million, or 20.6%, compared to 2010. Material costs for the Metals segment were $763.0 million or 75.2% as a percent of net sales compared to $631.1 million or 75.0% as a percent of net sales in 2010. Tube Supply cost of materials were $5.3 million for the two-week period ended December 31, 2011. During 2011, the Company implemented a commodity hedging program to mitigate the risks associated with certain commodity price fluctuations. The 2011 results include a $2.4 million charge associated with the mark-to-market adjustment for forward contracts related to the commodity hedging program compared to no charge in 2010. The Metals segment recorded LIFO expense of $15.1 million in 2011 compared to $7.7 million in 2010. The remaining increase in cost of materials for the Metals segment is consistent with the sales volume increase year-over-year.

Material costs for the Plastics segment were 69.9% as a percent of net sales in 2011 as compared to 68.0% for the same period last year. The Plastics segment recorded LIFO expense of $0.9 million in 2011 compared to $0.3 million in 2010.

During 2010, a reduction in inventories resulted in a liquidation of applicable LIFO inventory quantities carried at lower costs in prior years. On a consolidated basis, cost of materials for 2010 were lower by $12.5 million as a result of the liquidations.

Operating Expenses and Operating Income (Loss):

Operating costs and expenses increased $29.4 million, or 11.7%, compared to last year. Operating costs and expenses for 2011 were $281.6 million, or 24.9% as a percent of net sales, compared to $252.2 million, or 26.7% as a percent of net sales last year. Operating costs and expenses in 2011 include a $0.9 million charge for export penalties related to product shipments that occurred from 2005 to 2008 and in 2011 compared to no charge in 2010. Additionally, there were no facility consolidation charges during 2011 compared to $2.4 million in 2010.

Full workweeks and 401(k) matching contributions were reinstated in January and April 2010, respectively, resulting in overall increases in payroll related costs in 2011 compared to 2010. Additionally, effective July 1, 2011, the Company's 401(k) matching contribution was increased to 100% of each dollar on eligible employee contributions up to the first 6% of the employee's pre-tax compensation. Effective July 1, 2011, the Company's fixed contribution of 4% of eligible earnings for all employees was eliminated. Other factors that contributed to increased payroll related costs in 2011 compared to 2010 included merit increases and headcount increases.

In addition to payroll related costs, there were costs associated with the acquisition of Tube Supply in December 2011 of $4.3 million, as well as Tube Supply activity for the two-week period ended December 31, 2011 that contributed $0.9 million to the overall increase.

The $29.4 million increase in operating expenses in 2011 compared to 2010 primarily relates to the following:

- Warehouse, processing and delivery costs increased by $11.6 million of which $4.1 million is due to increased compensation and benefits expenses as a result of headcount, merit and healthcare cost increases and $7.2 million is the result of increases in charges associated with higher sales volumes, such as warehouse, packing and shipping supplies, repairs and maintenance, utilities, outside services, overtime wages and temporary help. The warehouse, processing and delivery cost increase associated with Tube Supply for the two-week period ended December 31, 2011 amounted to $0.3 million;
- Sales, general and administrative costs increased by $17.9 million. The increase is primarily comprised of $4.3 million of direct acquisition-related costs, $7.1 million as a result of headcount, merit and healthcare cost increases and a $0.9 million charge for export penalties related to product shipments that occurred from 2005 to 2008 and in 2011. The sales, general and administrative cost increase associated with Tube Supply for the two-week period ended December 31, 2011 amounted to $0.3 million. The balance of the difference relates other administrative expenses including training, travel and insurance; and
- Depreciation and amortization expense decreased $0.1 million in 2011 compared to 2010. The depreciation and amortization expense for Tube Supply for the two-week period ended December 31, 2011 amounted to $0.3 million.

Consolidated operating income for 2011 was $5.2 million compared to operating loss of $9.3 million in 2010.

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Other Income and Expense, Income Taxes and Net Loss:

Interest expense was $13.7 million in 2011, an increase of $8.7 million versus 2010 as a result of charges associated with refinancing the Company’s debt in conjunction with the Tube Supply acquisition. The Company issued $225.0 million of senior secured notes and $57.5 million of convertible senior notes and entered into a $100.0 million senior secured asset based revolving credit facility.

Interest expense for 2011 includes the following charges:

- Non-cash interest charge of $4.0 million associated with the mark-to-market adjustment for the derivative liability component of the convertible notes, which is not deductible for federal income tax purposes;
- Non-cash interest charge of $0.2 million for the amortization of new debt origination fees;
- Interest on new debt of $1.6 million; and
- Underwriting fees of $3.4 million associated with the debt financing.

In addition to increased interest expense, there was a loss on extinguishment of the Company’s existing long-term notes of $6.2 million, which is comprised of a non-cash charge of $0.9 million for the write-off of existing debt issuance costs and $5.2 million for the fees associated with the prepayment of the notes.

The Company recorded a tax benefit of $1.1 million in 2011 compared to a tax benefit of $3.1 million in 2010. The Company’s effective tax rate is expressed as ‘Income tax benefit’ (which includes tax expense on the Company’s share of joint venture earnings) as a percentage of ‘Loss before income taxes and equity in earnings of joint venture.’ This calculation includes taxes on the joint venture income but excludes joint venture income. The effective tax rate for 2011 and 2010 was 7.7% and 21.7%, respectively. The change in the tax rate was due primarily to the additional income tax on joint venture income compared to 2010 and the non-deductibility of the mark-to-market charge on the derivative liability component of the convertible notes.

Equity in earnings of the Company’s joint venture was $11.7 million in 2011 compared to $5.6 million in 2010. The increase is a result of higher demand in virtually all of the joint venture’s end-use markets, most notably the oil and gas and automotive sectors, and higher pricing compared to last year.

Consolidated net loss for 2011 was $1.8 million, or $0.08 per diluted share, compared to net loss of $5.6 million, or $0.25 per diluted share, for 2010.

Liquidity and Capital Resources

Cash and cash equivalents decreased by $8.9 million and $6.2 million for the years ended December 31, 2012 and 2011, respectively, and increased by $8.4 million for the year ended December 31, 2010.

The Company’s principal sources of liquidity are cash provided by operations and available borrowing capacity to fund working capital needs and growth initiatives. Cash provided by operations for the year-ended December 31, 2012 was $5.4 million compared to cash used in operations of $46.3 million for the year-ended December 31, 2011 and cash provided by operations of $34.4 million for the year-ended December 31, 2010. Specific components of the change in working capital are highlighted below:

- During 2012, cash receipts from customers exceeded net sales resulting in a $44.6 million cash flow source due to a decrease in accounts receivable compared to a $26.4 million cash flow use due to an increase in accounts receivable for 2011. Net sales increased 12.2% from 2011. Average receivable days outstanding was 49.0 days for 2012 and 50.3 for 2011.
- During 2012, inventory purchases exceeded sales of inventory resulting in a $29.3 million cash flow use due to an increase in inventory compared to a $39.4 million cash flow use due to an increase in inventory in 2011. Average days sales in inventory was 187.0 days for 2012 verses 128.5 days for 2011.
- During 2012, cash paid for inventories and other goods and services exceeded purchases resulting in a $38.0 million cash flow use due to a net decrease in accounts payable and accrued liabilities compared to a $9.7 million cash flow source due to a net increase in accounts payable and accrued liabilities for 2011.
- The Company received its 2010 federal income tax refund of approximately $2.0 million during February 2012 and its 2009 federal income tax refund of approximately $6.3 million during January 2011.

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In December 2011, in conjunction with the acquisition of Tube Supply, the Company issued $225.0 million aggregate principal amount of 12.75% Senior Secured Notes due 2016, $57.5 million aggregate principal amount of 7.0% Convertible Senior Notes due 2017 and entered into a $100.0 million senior secured asset based revolving credit facility (the "New Revolving Credit Facility"). Net proceeds of $304.6 million were used to complete the Acquisition, pay-off amounts outstanding under our previous credit agreement and for general corporate purposes.
Historically, the Company's primary uses of liquidity and capital resources have been capital expenditures, payments on debt (including interest payments), acquisitions and dividend payments. Management believes the Company will be able to generate sufficient cash from operations and planned working capital improvements to fund its ongoing capital expenditure programs and meet its debt obligations for at least the next twelve months. Furthermore, the Company does have available borrowing capacity under the New Revolving Credit Agreement. The new debt agreements impose significant operating and financial restrictions which may prevent the Company from certain business opportunities such as, making acquisitions or paying dividends among other things. The New Revolving Credit facility contains a springing financial maintenance covenant requiring the Company to maintain the ratio of EBITDA (as defined in the agreement) to fixed charges of 1.1 to 1.0 when excess availability is less than the greater of 10% of the calculated borrowing base (as defined in the agreement) or $10 million. In addition, if excess availability is less than the greater of 12.5% of the calculated borrowing base (as defined in the agreement) or $12.5 million, the lender has the right to take full dominion of the Company's cash collections and apply these proceeds to outstanding loans under the New Revolving Credit Agreement ("cash dominion"). Based on the Company's cash projections, it does not anticipate a scenario whereby cash dominion would occur during the next twelve months.
The Company is committed to maintaining a strong financial position through maintaining sufficient levels of available liquidity, managing working capital and monitoring the Company's overall capitalization. Cash and cash equivalents at December 31, 2012 were $21.6 million and the Company had $50.5 million of available borrowing capacity under its New Revolving Credit Facility. Approximately 23% of the Company's consolidated cash and cash equivalents balance resides in the United States. As foreign earnings are permanently reinvested, availability under the Company's New Revolving Credit Facility would be used to fund operations in the United States should the need arise in the future.
Working capital at December 31, 2012 was $379.3 million compared to $349.0 million at December 31, 2011. The increase in working capital is primarily due to higher inventory of $31.7 million, prepaid expenses and other current assets of $4.7 million and lower accounts payable of $48.9 million, offset by lower accounts receivable of $42.7 million and lower cash of $8.9 million, from December 31, 2011 to 2012.
The Company monitors its overall capitalization by evaluating total debt to total capitalization. Total debt to total capitalization is defined as the sum of short- and long-term debt, divided by the sum of total debt and stockholders' equity. Total debt to total capitalization was 46.8% at December 31, 2012 and 50.2% at December 31, 2011. As of April 26, 2012, the conversion option value of $42.0 million associated with the convertible debt, which was issued in December 2011, was reclassified from long-term debt to additional paid-in capital, resulting in a decrease to the debt to total capitalization at December 31, 2012. The deferred tax benefit of $8.3 million associated with the temporary difference between the financial reporting basis of the derivative liability and its tax basis at the date of issuance (December 15, 2011) was also reclassified to additional paid-in capital. Over the long-term, the Company plans to continue to improve its total debt to total capitalization by improving operating results, managing working capital and using cash generated from operations to repay outstanding debt. Going forward, as and when permitted by term of agreements noted above, depending on market conditions, the Company may decide in the future to refinance, redeem or repurchase its debt and take other steps to reduce its debt or lease obligations or otherwise improve its overall financial position and balance sheet.
Capital Expenditures
Cash paid for capital expenditures for 2012 was $11.1 million compared to $11.7 million in 2011. The expenditures during 2012 were comprised of approximately $1.1 million of ERP and other information technology enhancements and $1.3 million related to existing and new facility expansions for additional automotive business in the Plastics segment and for additional aerospace defense business in the United Kingdom. The balance of the capital expenditures in 2012 are the result of normal equipment, building improvement and furniture and fixture upgrades throughout the

year. Management believes that capital expenditures will approximate $14 million in 2013.

Contractual Obligations and Other Commitments

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

At December 31, 2012, the Company's contractual obligations, including estimated payments by period, were as follows:

Payments Due In	Total	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
Long-term debt obligations (excluding capital lease obligations)	$322.0	$—	$39.5	$282.5	$—
Interest payments on debt obligations (a)	137.4	33.6	67.1	36.7	—
Capital lease obligations	1.4	0.4	0.8	0.2	—
Operating lease obligations	76.7	14.4	21.5	16.7	24.1
Purchase obligations (b)	333.5	222.6	110.9	—	—
Other (c)	8.1	8.1	—	—	—
Total	$879.1	$279.1	$239.8	$336.1	$24.1

a) Interest payments on debt obligations represent interest on all Company debt outstanding as of December 31, 2012. The interest payment amounts related to the variable rate component of the Company's debt assume that interest will be paid at the rates prevailing at December 31, 2012. Future interest rates may change, and therefore, actual interest payments could differ from those disclosed in the table above.

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

c) 'Other' is comprised of deferred revenues that represent commitments to deliver products and obligations related to recognizing and measuring tax positions taken or expected to be taken in a tax return that directly or indirectly affect amounts reported in financial statements. The uncertain tax positions included in the Company's obligations are related to temporary differences and uncertain tax positions where the Company anticipates a high probability of settlement within a given timeframe. The years for which the temporary differences related to the uncertain tax positions will reverse have been estimated in scheduling the obligations within the table.

The table and corresponding footnotes above do not include $10.7 million of other non-current liabilities recorded on the consolidated balance sheets. These non-current liabilities consist of liabilities related to the Company's non-funded supplemental pension plan and postretirement benefit plans for which payment periods cannot be determined. Non-current liabilities also include $37.5 million of deferred income taxes, deferred gain on the sale of certain assets, derivative liability associated with commodity hedges and unfavorable lease liability for a lease entered into in conjunction with the Tube Supply acquisition, which was excluded from the table as the amounts due and timing of payments (or receipts) at future contract settlement dates cannot be determined.

Pension Funding

The Company's funding policy on its defined benefit pension plans is to satisfy the minimum funding requirements of the Employee Retirement Income Security Act ("ERISA"). Future funding requirements are dependent upon various factors outside the Company's control including, but not limited to, fund asset performance and changes in regulatory or accounting requirements. Based upon factors known and considered as of December 31, 2012, the Company does not anticipate making significant cash contributions to the pension plans in 2013.

The investment target portfolio allocation for the Company-sponsored pension plans and supplemental pension plan focuses primarily on corporate fixed income securities that match the overall duration and term of the Company's pension liability structure. Refer to "Retirement Plans" within Critical Accounting Policies and Note 5 to the consolidated financial statements for additional details regarding other plan assumptions.

Off-Balance Sheet Arrangements

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With the exception of letters of credit and operating lease financing on certain equipment used in the operation of the business, it is not the Company’s general practice to use off-balance sheet arrangements, such as third-party special-purpose entities or guarantees of third parties.
As of December 31, 2012, the Company had $6.8 million of irrevocable letters of credit outstanding which primarily consisted of $4.0 million for collateral associated with commodity hedges and $2.0 million for compliance with the insurance reserve requirements of its workers’ compensation insurance carriers.
The Company is party to certain multi-employer pension plans. The overall cost of such plans to the Company is insignificant. If the Company withdraws from a multi-employer pension plan in the future, it could potentially incur a withdrawal liability at that time.
Obligations of the Company associated with its leased equipment are disclosed under the “Contractual Obligations and Other Commitments” section above.
Critical Accounting Policies
The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, and include amounts that are based on management’s estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The following is a description of the Company’s accounting policies that management believes require the most significant judgments and estimates when preparing the Company’s consolidated financial statements:
Revenue Recognition — Revenue from the sales of products is recognized when the earnings process is complete and when the title and risk and rewards of ownership have passed to the customer, which is primarily at the time of shipment. Revenue recognized other than at time of shipment represents less than 3% of the Company’s consolidated net sales. Revenue from shipping and handling charges is recorded in net sales. Provisions for allowances related to sales discounts and rebates are recorded based on terms of the sale in the period that the sale is recorded. Management utilizes historical information and the current sales trends of the business to estimate such provisions. Actual results could differ from these estimates. The provisions related to discounts and rebates due to customers are recorded as a reduction within net sales in the Company’s consolidated statements of operations and comprehensive loss.
The Company maintains an allowance for doubtful accounts resulting from the inability of our customers to make required payments. The allowance for doubtful accounts is maintained at a level considered appropriate based on historical experience and specific identification of customer receivable balances for which collection is unlikely. The provisions for doubtful accounts is recorded in sales, general and administrative expense in the Company’s consolidated statements of operations and comprehensive loss. Estimates of doubtful accounts are based upon historical write-off experience as a percentage of net sales and judgments about the probable effects of economic conditions on certain customers, which can fluctuate significantly from year to year. The Company cannot be certain that the rate of future credit losses will be similar to past experience.
The Company also maintains an allowance for credit memos for estimated credit memos to be issued against current sales. Estimates of allowance for credit memos are based upon the application of a historical issuance lag period to the average credit memos issued each month. If actual results differ significantly from historical experience, there could be a negative impact on the Company’s operating results.
Income Taxes — The Company’s income tax expense, deferred tax assets and liabilities and reserve for uncertain tax positions reflect management’s best estimate of taxes to be paid. The Company is subject to income taxes in the U.S. and several foreign jurisdictions. The determination of the consolidated income tax expense requires judgment and estimation by management. It is possible that actual results could differ from the estimates that management has used to determine its consolidated income tax expense.
The Company accounts for deferred income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

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Valuation allowances are recorded against deferred tax assets when it is more likely than not that the amounts will not be realized, which will increase the provision for income taxes in the period in which that determination is made.
The Company has undistributed earnings of foreign subsidiaries of approximately $83.4 million at December 31, 2012, for which deferred taxes have not been provided. Such earnings are considered indefinitely invested in the foreign subsidiaries. If such earnings were repatriated, additional tax expense may result, although due to the potential availability of foreign tax credits and other items, the calculation of such additional taxes is not practicable.
The Company's investment in the joint venture is through a 50% interest in a limited liability corporation (LLC) taxed as a partnership. The joint venture has two subsidiaries organized as individually taxed C-Corporations. The Company includes in its income tax provision the income tax liability on its share of the income of the joint venture and its subsidiaries. The income tax liability of the joint venture itself is generally treated as a current income tax expense and the income tax liability associated with the profits of the two subsidiaries of the joint venture is treated as deferred income tax expense. The Company can not independently cause a dividend to be declared by one of the subsidiaries of the joint venture, therefore no benefit of a dividend received deduction can be recognized in the Company's tax provision until a dividend is declared. If one of the C-Corporation subsidiaries of the joint venture declares a dividend payable to the joint venture, the Company recognizes a benefit for the 80% dividends received deduction on its 50% share of the dividend.
The Company's income tax provisions are based on calculations and assumptions that are subject to examination by the IRS and other tax authorities. Although the Company believes that the positions taken on previously filed tax returns are reasonable, it has established tax and interest reserves in recognition that various taxing authorities may challenge the positions taken, which could result in additional liabilities for taxes and interest. The Company regularly reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies.
For uncertain tax positions, the Company applies the provisions of relevant authoritative guidance, which requires application of a "more likely than not" threshold to the recognition and derecognition of tax positions. The Company's ongoing assessments of the more likely than not outcomes of tax authority examinations and related tax positions require significant judgment and can increase or decrease the Company's effective tax rate as well as impact operating results.
Retirement Plans — The Company values retirement plan liabilities based on assumptions and valuations established by management. Future valuations are subject to market changes, which are not in the control of the Company and could differ materially from the amounts currently reported. The Company evaluates the discount rate and expected return on assets at least annually and evaluates other assumptions involving demographic factors, such as retirement age, mortality and turnover periodically, and updates them to reflect actual experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors. Accumulated and projected benefit obligations are expressed as the present value of future cash payments which are discounted using the weighted average of market-observed yields for high quality fixed income securities with maturities that correspond to the payment of benefits. Lower discount rates increase present values and subsequent-year pension expense; higher discount rates decrease present values and subsequent-year pension expense. Discount rates used for determining the Company's projected benefit obligation for retirement plans were 3.50 - 3.75% and 4.25% at December 31, 2012 and 2011, respectively.
The Company's pension plan asset portfolio as of December 31, 2012 is primarily invested in fixed income securities with a duration of approximately 12 years. The assets generally fall within Level 2 of the fair value hierarchy. Assets in the Company's pension plans have earned approximately 12% since 2008 when the Company changed its target investment allocation to focus primarily on fixed income securities. The target investment asset allocation for the pension plans' funds focuses primarily on corporate fixed income securities that match the overall duration and term of the Company's pension liability structure. As of December 31, 2012 and 2011, the funding surplus was approximately 3% and 6%, respectively. To determine the expected long-term rate of return on the pension plans' assets, current and expected asset allocations are considered, as well as historical and expected returns on various categories of plan assets.

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

	2012		2011	
Discount rate	4.25	%	5.25	%
Expected long-term rate of return on plan assets	5.75	%	6.50	%

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

	Impact on 2012 Expenses - increase (decrease)
50 basis point decrease in discount rate	$(1.1)
50 basis point increase in discount rate	$1.1
50 basis point decrease in expected return on assets	$0.9

Goodwill and Other Intangible Assets Impairment — The carrying value of the Company’s goodwill is evaluated annually on January 1st of each fiscal year or when certain triggering events occur which require a more current valuation. The Company assesses, at least quarterly, whether any triggering events have occurred.

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

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

Based on the impairment test performed on January 1, 2012 (the Company's annual measurement date), the Company concluded that the fair values for each reporting unit exceeded the carrying values. Except for Aerospace and Oil & Gas, all other reporting units' fair values exceeded their carrying values by more than 10% as of January 1, 2012.

The Company has completed its January 1, 2013 annual goodwill impairment test. As of January 1, 2013, the Aerospace and Oil & Gas reporting units had goodwill balances of approximately $21 million and $20 million, respectively, and $0 of indefinite lived intangible assets. A combination of the income approach and the market approach was utilized to estimate the reporting units' fair values. The Aerospace and Oil & Gas reporting units both had estimated fair values that exceeded carry value by less than 10%. Under the income approach, the following key assumptions were used in the Company's discounted cash flow analysis:

	Aerospace		Oil & Gas	
Discount rate	15.0	%	14.0	%
5-year CAGR	4.2	%	1.5	%
Terminal growth rate	3.0	%	3.0	%

Under the market approach, the Company used a multiple of earnings before interest, taxes, depreciation and amortization ("EBITDA") of 6.5 and 6.0 for Aerospace and Oil & Gas, respectively. The EBITDA multiple observed in the marketplace for recent transactions ranged from 6.0 to 8.7 with a median of 6.9 as of January 1, 2013. The Company considers several factors in estimating the EBITDA multiple including a reporting unit's market position, gross and operating margins and prospects for growth, among other factors.
Holding all other assumptions in the model constant, the Company has summarized what the discount rate and EBITDA multiple would have to be (holding the other variable constant) in order for the fair value of Aerospace and Oil & Gas reporting units to fall below their respective carrying value:

	Aerospace		Oil & Gas	
Discount rate	16.5	%	14.8	%
EBITDA multiple	5.8		5.6	

If either reporting unit's carrying value exceeded its fair value, additional valuation procedures would have been required to determine whether the reporting unit's goodwill was impaired, and to the extent goodwill was impaired, the magnitude of the impairment charge.
Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting units, the amount of the goodwill impairment charge, or both. Future declines in the overall market value of the Company's equity may also result in a conclusion that the fair value of one or more reporting units has declined below its carrying value.
The majority of the Company's recorded intangible assets were acquired as part of the Transtar and Tube Supply acquisitions in September 2006 and December 2011, respectively, and consist of customer relationships, non-compete agreements, trade names and developed technology. The initial values of the intangible assets were based on a discounted cash flow valuation using assumptions made by management as to future revenues from select customers, the level and pace of attrition in such revenues over time and assumed operating income amounts generated from such revenues. The intangible assets are amortized over their useful lives, which are 4 to 12 years for customer relationships, 3 years for non-compete agreements, 1 to 10 years for trade names and 3 years for developed technology. Useful lives are estimated by management and determined based on the timeframe over which a significant portion of the estimated future cash flows are expected to be realized from the respective intangible assets. Furthermore, when certain conditions or certain triggering events occur, a separate test of impairment, similar to the impairment test for long-lived assets discussed below, is performed. If the intangible asset is deemed to be impaired, such asset will be written down to its fair value.
See Note 8 to the consolidated financial statements for detailed information on goodwill and intangible assets.
Long-Lived Assets — The Company's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are impaired, the impairment charge is calculated as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. The Company derives the required undiscounted cash flow estimates from historical experience and internal business plans. Measurement of an impairment loss requires a determination of fair value. The Company uses an income approach, which estimates fair value based on estimates of future cash flows discounted at an appropriate interest rate.
Share-Based Compensation — The Company offers share-based compensation to executive and other key employees, as well as its directors. Share-based compensation expense is recorded over the vesting period based on the grant date fair value of the stock award. Stock options have an exercise price equal to the market price of the Company's stock on the grant date (options granted prior to 2010) or the average closing price of the Company's stock for the ten trading days preceding the grant date (options granted in 2010) and have a contractual life of eight to ten years. Options and

restricted stock generally vest in one to five years for executives and employees and three years for directors. The Company may either issue shares from treasury or new shares upon share option exercise.

Stock options are valued based on the market price of the Company's stock on the grant date, using a Black-Scholes option-pricing model. The expense associated with stock option awards is recorded on a straight-line basis over the vesting period, net of estimated forfeitures.

The grant date fair value for stock options granted during 2010 was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2010	
Expected volatility	58.5	%
Risk-free interest rate	2.3	%
Expected life (in years)	5.5	
Expected dividend yield	1.2	%

Share-based compensation expense for non-vested shares and restricted share units in the long-term compensation plans ("LTC Plans") is established using the market price of the Company's common stock on the date of grant.

The grant date fair value of performance shares containing a market-based performance condition awarded under the LTC Plans were estimated using a Monte Carlo simulation with the following assumptions:

	2012		2011		2010	
Expected volatility	85.0	%	62.0	%	61.6	%
Risk-free interest rate	0.40	%	1.10	%	1.45	%
Expected life (in years)	2.81		2.84		2.80	
Expected dividend yield	—		—		—	

Performance awards under the active LTC Plans were granted to the Company's new CEO in October 2012. The grant date fair values of performance shares awarded to the CEO containing the RTSR market-based performance condition was estimated using a Monte Carlo simulation with the following assumptions:

	2012		2011		2010	
Expected volatility	60.7	%	60.7	%	60.7	%
Risk-free interest rate	0.34	%	0.34	%	0.34	%
Expected life (in years)	2.21		1.21		0.21	
Expected dividend yield	—		—		—	

Management estimates the probable number of shares which will ultimately vest when calculating the share-based compensation expense for the LTC Plans. As of December 31, 2012, the Company's weighted average forfeiture rate is approximately 33%. The actual number of shares that vest may differ from management's estimate. Final award vesting and distribution of performance awards granted under the LTC Plans are determined based on the Company's actual performance versus the target goals for a three-year consecutive period as defined in each plan. Partial awards can be earned for performance less than the target goal, but in excess of minimum goals; and award distributions above the target can be achieved if the maximum goals are met or exceeded.

Under the 2012, 2011 and 2010 LTC Plans, the potential award for the performance shares granted is partially dependent on the Company's relative total shareholder return ("RTSR"), which represents a market condition. RTSR is measured against a group of peer companies either in the metals industry or in the industrial products distribution industry. Compensation expense for performance awards containing a market condition is recognized regardless of whether the market condition is achieved to the extent the requisite service period condition is met.

Under the 2012 and 2011 LTC Plans, the potential award for performance shares containing a non-market-based performance condition is determined based on the Company's actual performance versus Company-specific target goals for Return on Invested Capital ("ROIC") (as defined in the 2012 and 2011 LTC Plans). Under the 2012 LTC Plan, the non-market based performance condition is determined based on the Company's average actual performance versus Company-specific goals for ROIC for the three-year performance period beginning on January 1st of the year of grant. Under the 2011 LTC Plan, the non-market-based performance condition is determined for

any one or more fiscal years during the three-year performance period beginning on January 1st of the year of grant. Partial performance awards can be earned for performance less than the target goal, but in excess of minimum goals and award distributions twice the target can be achieved if the maximum goals are met or exceeded. The number of performance shares, if any, that vest based on the performance achieved during the three-year performance period, will vest at the end of the three-year performance period. Compensation expense recognized is based on management's expectation of future performance compared to the pre-established performance goals. If the performance goals are not expected to be met, no compensation expense is recognized and any previously recognized compensation expense is reversed.

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

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

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

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

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

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

The Company's pension plan asset portfolio as of December 31, 2012 and 2011 is primarily invested in fixed income securities, which generally fall within Level 2 of the fair value hierarchy. Fixed income securities are valued based on evaluated prices provided to the trustee by independent pricing services. Such prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

Fair value disclosures for the Senior Secured Notes are determined based on recent trades of the bonds and fall within level 2 of the fair value hierarchy. The fair value of the Convertible Notes, which fall within level 3 of the fair value hierarchy, is determined based on similar debt instruments that do not contain a conversion feature, as well as other factors related to the callable nature of the notes. The estimated fair value of the derivative liability for the conversion feature, which falls within level 3 of the fair value hierarchy, is computed using a binomial lattice model using the Company's historical volatility over the term corresponding to the remaining contractual term of the Convertible Notes and observed spreads of similar debt instruments that do not include a conversion feature. The estimated fair value of the Company's debt outstanding under its revolving credit facilities, which fall within level 3 of the fair value hierarchy, assumes the current amount of debt outstanding at the end of the year was outstanding until the maturity of the Company's facility in December 2015.

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

Recent Accounting Pronouncements

Effective January 1, 2012, the Company adopted new guidance that applies to the presentation of other comprehensive (loss) income, the testing of goodwill for impairment and the measurement and disclosure of fair value of assets, liabilities and instruments classified in a reporting entity's shareholders' equity in the financial statements.

See Note 1 to the consolidated financial statements for detailed information on recent accounting pronouncements.

ITEM 7a — Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk — The Company is exposed to market risk related to its fixed rate and variable rate long-term debt. We do not utilize derivative instruments to manage exposure to interest rate changes. The market value of the Company's $282.5 million of fixed rate long-term debt may be impacted by changes in interest rates. The Company does not expect to repay its fixed rate debt prior to its scheduled maturities.

The Company's interest rates on borrowings under its $100 million four-year revolving credit facility are subject to changes in the LIBOR and prime interest rates. Borrowings under the Company's revolving credit agreement were approximately $39.5 million as of December 31, 2012. A hypothetical 100 basis point increase on the Company's variable rate debt would result in $0.4 million of additional interest expense on an annual basis.

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

The Company has a commodity hedging program to mitigate risks associated with certain commodity price fluctuations. If the commodity prices hedged were to decrease hypothetically by 100 basis points, the 2012 unrealized loss recorded in cost of materials would have increased by approximately $0.1 million.

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

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

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

	Year Ended December 31,		
	2012	2011	2010
Net sales	$1,270,368	$1,132,366	$943,706
Costs and expenses:			
Cost of materials (exclusive of depreciation and amortization)	927,287	845,609	700,854
Warehouse, processing and delivery expense	148,256	134,898	123,318
Sales, general and administrative expense	127,813	126,193	108,223
Depreciation and amortization expense	25,867	20,472	20,649
Operating income (loss)	41,145	5,194	(9,338)
Interest expense, net	(41,090)	(9,663)	(4,988)
Interest expense - unrealized loss on debt conversion option	(15,597)	(3,991)	—
Loss on extinguishment of debt	—	(6,153)	—
Loss before income taxes and equity in earnings of joint venture	(15,542)	(14,613)	(14,326)
Income taxes	(1,430)	1,126	3,101
Loss before equity in earnings of joint venture	(16,972)	(13,487)	(11,225)
Equity in earnings of joint venture	7,224	11,727	5,585
Net loss	(9,748)	(1,760)	(5,640)
Basic loss per share	$(0.42)	$(0.08)	$(0.25)
Diluted loss per share	$(0.42)	$(0.08)	$(0.25)
Dividends per common share	$—	$—	$—
Comprehensive loss:			
Foreign currency translation gains (losses)	$2,369	$(941)	$(536)
Unrecognized pension and postretirement benefit costs, net of tax benefit of $2,312, $1,965 and $1,116	(3,616)	(3,071)	(1,748)
Other comprehensive loss	(1,247)	(4,012)	(2,284)
Net loss	(9,748)	(1,760)	(5,640)
Comprehensive loss	$(10,995)	$(5,772)	$(7,924)

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

Consolidated Balance Sheets

	December 31, 2012	2011
Assets		
Current assets		
Cash and cash equivalents	$21,607	$30,524
Accounts receivable, less allowances of $3,529 and $3,584	138,311	181,036
Inventories, principally on last-in first-out basis (replacement cost higher by $139,940 and $138,882)	303,772	272,039
Prepaid expenses and other current assets	15,092	10,382
Income tax receivable	7,596	8,287
Total current assets	486,378	502,268
Investment in joint venture	38,854	36,460
Goodwill	70,300	69,901
Intangible assets	82,477	93,813
Prepaid pension cost	12,891	15,956
Other assets	18,266	21,784
Property, plant and equipment, at cost		
Land	5,195	5,194
Building	52,884	52,434
Machinery and equipment	178,664	172,833
Property, plant and equipment, at cost	236,743	230,461
Less—accumulated depreciation	(157,103)	(148,320)
Property, plant and equipment, net	79,640	82,141
Total assets	$788,806	$822,323
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$67,990	$116,874
Accrued payroll and employee benefits	11,749	14,792
Accrued liabilities	24,815	19,036
Income taxes payable	1,563	1,884
Current portion of long-term debt	415	192
Short term debt	500	500
Total current liabilities	107,032	153,278
Long-term debt, less current portion	296,154	314,240
Deferred income taxes	32,350	25,650
Other non-current liabilities	5,279	7,252
Pension and post retirement benefit obligations	10,651	9,624
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.01 par value—9,988 shares authorized (including 400 Series B Junior Preferred $0.00 par value shares); no shares issued and outstanding at December 31, 2012 and December 31, 2011	—	—
Common stock, $0.01 par value—60,000 shares authorized and 23,211 shares issued and 23,152 outstanding at December 31, 2012; 30,000 shares authorized and 23,159 shares issued and 23,010 outstanding at December 31, 2011	232	232
Additional paid-in capital	219,619	184,596
Retained earnings	139,239	148,987
Accumulated other comprehensive loss	(21,071)	(19,824)

Treasury stock, at cost—59 shares at December 31, 2012 and 149 shares at December 31, 2011	(679)	(1,712)
Total stockholders’ equity	337,340	312,279
Total liabilities and stockholders’ equity	$788,806	$822,323

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

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2012	2011	2010
Operating activities:			
Net loss	$(9,748)	$(1,760)	$(5,640)
Adjustments to reconcile net loss to net cash from (used in) operating activities:			
Depreciation and amortization	25,867	20,472	20,649
Amortization of deferred gain	(1,619)	(503)	(890)
Amortization of deferred financing costs and debt discount	6,232	1,662	685
Loss on sale of fixed assets	354	120	391
Unrealized loss on debt conversion option	15,597	3,991	—
Unrealized losses on commodity hedges	163	2,331	—
Equity in earnings of joint venture	(7,224)	(11,727)	(5,585)
Dividends from joint venture	4,729	3,117	1,260
Deferred tax (benefit) provision	(1,284)	(3,333)	(11,386)
Share-based compensation expense	2,277	4,349	2,411
Excess tax benefits from share-based payment arrangements	(90)	(301)	(219)
Increase (decrease) from changes in, net of acquisition:			
Accounts receivable	44,570	(26,446)	(22,521)
Inventories	(29,340)	(39,435)	39,686
Prepaid expenses and other current assets	(2,397)	(3,408)	(1,718)
Other assets	(480)	188	399
Prepaid pension costs	(2,863)	(2,412)	(1,530)
Accounts payable	(42,560)	9,910	(1,866)
Accrued payroll and employee benefits	(2,974)	(2,470)	5,827
Income taxes payable and receivable	454	(820)	11,536
Accrued liabilities	4,514	(184)	1,586
Postretirement benefit obligations and other liabilities	1,173	371	1,287
Net cash from (used in) operating activities	5,351	(46,288)	34,362
Investing activities:			
Acquisition/Investment of businesses, net of cash acquired	(6,472)	(174,244)	—
Capital expenditures	(11,121)	(11,744)	(7,572)
Proceeds from sale of fixed assets	153	226	4
Insurance proceeds	—	573	125
Net cash used in investing activities	(17,440)	(185,189)	(7,443)
Financing activities:			
Short-term (repayments) borrowings, net	(27)	653	(13,720)
Net (repayments) borrowings on previously existing revolving lines of credit	—	(26,403)	2,324
Proceeds from long-term debt, including new revolving credit facility	767,090	320,476	—
Repayments of long-term debt, including new revolving credit facility	(762,887)	(53,212)	(7,754)
Payment of debt issue costs	(1,503)	(16,633)	—
Exercise of stock options	146	356	566
Excess tax benefits from share-based payment arrangements	90	301	219
Net cash from (used in) financing activities	2,909	225,538	(18,365)
Effect of exchange rate changes on cash and cash equivalents	263	(253)	(149)

Net (decrease) increase in cash and cash equivalents	(8,917)	(6,192)	8,405
Cash and cash equivalents—beginning of year	30,524	36,716	28,311
Cash and cash equivalents—end of year	$21,607	$30,524	$36,716

See Note 1 to the consolidated financial statements for supplemental cash flow disclosures.

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

Consolidated Statements of Stockholders' Equity

	Common Shares	Treasury Shares	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2010	23,115	(209)	$—	$230	$(3,010)	$178,129	$156,387	$ (13,528)	$318,208
Net loss							(5,640)		(5,640)
Foreign currency translation								(536)	(536)
Defined benefit pension liability adjustments, net of tax benefit of $1,116								(1,748)	(1,748)
Long-term incentive plan						1,278			1,278
Exercise of stock options and other	34	46		1	784	1,112			1,897
Balance at December 31, 2010	23,149	(163)	$—	$231	$(2,226)	$180,519	$150,747	$ (15,812)	$313,459
Net loss							(1,760)		(1,760)
Foreign currency translation								(941)	(941)
Defined benefit pension liability adjustments, net of tax benefit of $1,965								(3,071)	(3,071)
Long-term incentive plan						3,260			3,260
Exercise of stock options and other	10	14		1	514	817			1,332
Balance at December 31, 2011	23,159	(149)	$—	$232	$(1,712)	$184,596	$148,987	$ (19,824)	$312,279
Net loss							(9,748)	—	(9,748)
Foreign currency translation								2,369	2,369
Defined benefit pension liability adjustments, net of tax benefit of $2,312								(3,616)	(3,616)
Embedded conversion option, net of tax benefit of $8,285						33,752			33,752
Long-term incentive plan						1,592			1,592
Exercise of stock options and other	52	90			1,033	(321)			712
Balance at December 31, 2012	23,211	(59)	$—	$232	$(679)	$219,619	$139,239	$ (21,071)	$337,340

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

A. M. Castle & Co.
Notes to Consolidated Financial Statements
Amounts in thousands except per share data and percentages
(1) Basis of Presentation and Significant Accounting Policies
Nature of operations — A.M. Castle & Co. and its subsidiaries (the "Company") is a specialty metals and plastics distribution company serving principally the North American market, but with a growing global presence. The Company has operations in the United States, Canada, Mexico, France, the United Kingdom, Spain, China and Singapore. The Company provides a broad range of product inventories as well as value-added processing and supply chain services to a wide array of customers, principally within the producer durable equipment, oil and gas, aerospace, heavy industrial equipment, industrial goods, construction equipment, retail, marine and automotive sectors of the global economy. Particular focus is placed on the aerospace and defense, oil and gas, power generation, mining, heavy industrial equipment, marine, office furniture and fixtures, safety products, life science applications, automotive and general manufacturing industries as well as general engineering applications.
The Company's corporate headquarters are located in Oak Brook, Illinois. The Company has 49 operational service centers located throughout North America (44), Europe (4) and Asia (1).
The Company purchases metals and plastics from many producers. Purchases are made in large lots and held in distribution centers until sold, usually in smaller quantities and often with value-added processing services performed. Orders are primarily filled with materials shipped from Company stock. The materials required to fill the balance of sales are obtained from other sources, such as direct mill shipments to customers or purchases from other distributors. Thousands of customers from a wide array of industries are serviced primarily through the Company's own sales organization.
Basis of presentation — The consolidated financial statements include the accounts of A. M. Castle & Co. and its subsidiaries over which the Company exhibits a controlling interest. The equity method of accounting is used for the Company's 50% owned joint venture, Kreher Steel Company, LLC ("Kreher"). All inter-company accounts and transactions have been eliminated.
Reclassification — For comparability, certain 2011 amounts have been reclassified to conform to presentation adopted in 2012.
Use of estimates — The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The principal areas of estimation reflected in the consolidated financial statements are accounts receivable allowances, inventory reserves, goodwill and intangible assets, income taxes, pension and other post-employment benefits and share-based compensation and convertible debt feature mark-to-mark adjustments.
Revenue recognition — Revenue from the sales of products is recognized when the earnings process is complete and when the title and risk and rewards of ownership have passed to the customer, which is primarily at the time of shipment. Revenue recognized other than at the time of shipment represents less than 3% of the Company's consolidated net sales for the years ended December 31, 2012, 2011 and 2010. Provisions for allowances related to sales discounts and rebates are recorded based on terms of the sale in the period that the sale is recorded. Management utilizes historical information and the current sales trends of the business to estimate such provisions. The provisions related to discounts and rebates due to customers are recorded as a reduction within net sales in the Company's consolidated statements of operations and comprehensive loss.
The Company maintains an allowance for doubtful accounts resulting from the inability of customers to make required payments. The allowance for doubtful accounts is maintained at a level considered appropriate based on historical experience and specific identification of customer receivable balances for which collection is unlikely. The provisions for doubtful accounts is recorded in sales, general and administrative expense in the Company's consolidated statements of operations and comprehensive loss. Estimates of doubtful accounts are based upon historical write-off experience as a percentage of net sales and judgments about the probable effects of economic

conditions on certain customers.

The Company also maintains an allowance for credit memos for estimated credit memos to be issued against current sales. Estimates of allowance for credit memos are based upon the application of a historical issuance lag period to the average credit memos issued each month.

Accounts receivable allowance activity is presented in the table below:

	2012	2011	2010
Balance, beginning of year	$3,584	$3,848	$4,195
Add Provision charged to expense	1,420	523	777
Recoveries	90	140	186
Other	—	157	—
Less Charges against allowance	(1,565)	(1,084)	(1,310)
Balance, end of year	$3,529	$3,584	$3,848

Revenue from shipping and handling charges is recorded in net sales. Costs incurred in connection with shipping and handling the Company’s products, which are related to third-party carriers or performed by Company personnel are included in warehouse, processing and delivery expenses. For the years ended December 31, 2012, 2011 and 2010, shipping and handling costs included in warehouse, processing and delivery expenses were $36,585, $35,214, and $31,067, respectively.

Cost of materials — Cost of materials consists of the costs the Company pays for metals, plastics and related inbound freight charges. It excludes depreciation and amortization which are discussed below. The Company accounts for the majority of its inventory on a last-in, first-out (“LIFO”) basis and LIFO adjustments are recorded in cost of materials.

Operating expenses — Operating costs and expenses primarily consist of:

- Warehouse, processing and delivery expenses, including occupancy costs, compensation and employee benefits for warehouse personnel, processing, shipping and handling costs;
- Sales expenses, including compensation and employee benefits for sales personnel;
- General and administrative expenses, including compensation for executive officers and general management, expenses for professional services primarily attributable to accounting and legal advisory services, bad debt expenses, data communication, computer hardware and maintenance and foreign currency gain or loss; and
- Depreciation and amortization expenses, including depreciation for all owned property and equipment, and amortization of various intangible assets.

Cash equivalents — Cash equivalents are highly liquid, short-term investments that have an original maturity of 90 days or less.

Statement of cash flows — Non-cash investing and financing activities and supplemental disclosures of consolidated cash flow information are as follows:

	Year Ended December 31,		
	2012	2011	2010
Non-cash investing and financing activities:			
Capital expenditures financed by accounts payable	$479	$1,123	$100
Capital lease obligations	1,009	—	—
Deferred debt origination fees	—	886	—
Additional purchase price paid in 2012 for Tube Supply acquisition	—	6,472	—
Cash paid during the year for:			
Interest	34,051	7,234	4,392
Income taxes	5,557	9,555	1,631
Cash received during the year for:			
Income tax refunds	3,184	6,724	4,430

Inventories — Inventories consist of finished goods. Approximately eighty percent of the Company's inventories are valued at the lower of LIFO cost or market at December 31, 2012 and 2011. Final inventory determination under the LIFO costing method is made at the end of each fiscal year based on the actual inventory levels and costs at that time. The Company values its LIFO increments using the cost of its latest purchases during the years reported. Current replacement cost of inventories exceeded book value by $139,940 and $138,882 at December 31, 2012 and 2011, respectively. Income taxes would become payable on any realization of this excess from reductions in the level of inventories.

During 2010, a reduction in inventories resulted in a liquidation of applicable LIFO inventory quantities carried at lower costs in prior years. Cost of materials for 2010 were lower by $12,500, as a result of the liquidations.

The Company maintains allowances for excess and obsolete inventory and physical inventory losses. The excess and obsolete inventory allowance is determined based on specific identification of material, adjusted for expected scrap value to be received. The allowance for physical inventory losses is determined based on historical physical inventory experience.

Insurance plans — In August 2009, the Company became a member of a group captive insurance company (the "Captive") domiciled in Grand Cayman Island. The Captive reinsures losses related to certain of the Company's workers' compensation, automobile and general liability risks that occur subsequent to August 2009. Premiums are based on the Company's loss experience and are accrued as expenses for the period to which the premium relates. Premiums are credited to the Company's "loss fund" and earn investment income until claims are actually paid. For workers' compensation, automobile and general liability claims that were incurred prior to August 2009, the Company is self-insured. Self-insurance amounts are capped, for individual claims and in the aggregate, for each policy year by an insurance company. Self-insurance reserves are based on unpaid, known claims (including related administrative fees assessed by the insurance company for claims processing) and a reserve for incurred but