

# CASTLE A M & CO

## FORM 10-Q (Quarterly Report)

Filed 07/31/09 for the Period Ending 06/30/09

Address	3400 N WOLF RD FRANKLIN PARK, IL 60131
Telephone	7084557111
CIK	0000018172
Symbol	CAS
SIC Code	5051 - Metals Service Centers and Offices
Industry	Misc. Fabricated Products
Sector	Basic Materials
Fiscal Year	12/31

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

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For Quarterly Period Ended June 30, 2009

or,

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-5415

**A. M. Castle & Co.**

(Exact name of registrant as specified in its charter)

Maryland

(State or Other Jurisdiction of  
incorporation of organization)

36-0879160

(I.R.S. Employer Identification No.)

3400 North Wolf Road, Franklin Park, Illinois

(Address of Principal Executive Offices)

60131

(Zip Code)

Registrant's telephone, including area code 847/455-7111

None

(Former name, former address and former fiscal year, if changed since last report)

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  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  No

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  Non-accelerated filer  Smaller reporting company   
(Do not check if a 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Common Stock, \$0.01 Par Value

Outstanding at July 24, 2009

22,908,720 shares

A. M. CASTLE & CO.  
Part I. FINANCIAL INFORMATION

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<b>Part I. Financial Information</b>	
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### Item 1. Condensed Consolidated Financial Statements (unaudited)

Amounts in thousands, except par value and per share data

#### CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2009	As of December 31, 2008
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 20,693	\$ 15,277
Accounts receivable, less allowances of \$3,658 at June 30, 2009 and \$3,318 at December 31, 2008	115,344	159,613
Inventories, principally on last-in, first-out basis (replacement cost higher by \$105,376 at June 30, 2009 and \$133,748 at December 31, 2008)	213,497	240,673
Other current assets	6,841	6,976
Income tax receivable	6,553	640
Deferred income taxes	8,451	5,244
Total current assets	371,379	428,423
Investment in joint venture	22,703	23,340
Goodwill	51,355	51,321
Intangible assets	52,263	55,742
Prepaid pension cost	27,186	26,615
Other assets	4,957	5,303
Property, plant and equipment, at cost		
Land	5,186	5,184
Building	51,540	50,069
Machinery and equipment (includes construction in progress)	176,311	172,500
	233,037	227,753
Less — accumulated depreciation	(146,437)	(139,463)
	86,600	88,290
Total assets	<u>\$ 616,443</u>	<u>\$ 679,034</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 83,749	\$ 126,490
Accrued liabilities	23,131	27,929
Income taxes payable	559	6,451
Current portion of long-term debt	10,891	10,838
Short-term debt	26,739	31,197
Total current liabilities	145,069	202,905
Long-term debt, less current portion	76,353	75,018
Deferred income taxes	37,432	38,743
Other non-current liabilities	13,756	15,068
Commitments and contingencies		
Stockholders' equity		
Common stock, \$0.01 par value - 30,000 shares authorized; 23,115 shares issued and 22,908 outstanding at June 30, 2009 and 22,850 shares issued and 22,654 outstanding at December 31, 2008	230	228
Additional paid-in capital	177,450	176,653
Retained earnings	178,249	184,651
Accumulated other comprehensive loss	(9,142)	(11,462)
Treasury stock, at cost - 207 shares at June 30, 2009 and 197 shares at December 31, 2008	(2,954)	(2,770)
Total stockholders' equity	343,833	347,300
Total liabilities and stockholders' equity	<u>\$ 616,443</u>	<u>\$ 679,034</u>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Net sales	\$195,103	\$397,115	\$447,347	\$790,594
Costs and expenses:				
Cost of materials (exclusive of depreciation and amortization)	145,067	297,196	327,247	588,540
Warehouse, processing and delivery expense	26,219	40,091	57,145	78,616
Sales, general, and administrative expense	25,889	36,168	57,849	71,650
Depreciation and amortization expense	5,542	6,067	10,958	11,878
Operating (loss) income	(7,614)	17,593	(5,852)	39,910
Interest expense, net	(1,552)	(2,213)	(3,257)	(4,259)
(Loss) income before income taxes and equity in (losses) earnings of joint venture	(9,166)	15,380	(9,109)	35,651
Income tax benefit (provision)	3,782	(6,949)	4,227	(15,299)
(Loss) income before equity in (losses) earnings of joint venture	(5,384)	8,431	(4,882)	20,352
Equity in (losses) earnings of joint venture	(137)	2,820	(159)	4,713
Net (loss) income	<u>\$ (5,521)</u>	<u>\$ 11,251</u>	<u>\$ (5,041)</u>	<u>\$ 25,065</u>
Basic (loss) earnings per share	<u>\$ (0.24)</u>	<u>\$ 0.50</u>	<u>\$ (0.22)</u>	<u>\$ 1.12</u>
Diluted (loss) earnings per share	<u>\$ (0.24)</u>	<u>\$ 0.49</u>	<u>\$ (0.22)</u>	<u>\$ 1.11</u>

*The accompanying notes are an integral part of these statements.*

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Six Months Ended June 30,	
	2009	2008
<b>Operating activities:</b>		
Net (loss) income	\$ (5,041)	\$ 25,065
<b>Adjustments to reconcile net (loss) income to net cash from (used in) operating activities:</b>		
Depreciation and amortization	10,958	11,878
Amortization of deferred gain	(447)	(638)
Equity in losses (earnings) of joint venture	159	(4,713)
Dividends from joint venture	485	1,112
Deferred tax (benefit) provision	(4,593)	750
Share-based compensation expense	710	1,757
Excess tax deficiencies (benefits) from share-based payment arrangements	95	(2,752)
<b>Increase (decrease) from changes, net of acquisitions, in:</b>		
Accounts receivable	47,001	(49,633)
Inventories	31,762	(29,441)
Other current assets	(887)	2,328
Other assets	(1,292)	1,401
Prepaid pension costs	(375)	(1,036)
Accounts payable	(43,354)	53,916
Accrued liabilities	(5,861)	(4,695)
Income taxes payable	(11,798)	(5,192)
Postretirement benefit obligations and other liabilities	(1,072)	(1,622)
<b>Net cash from (used in) operating activities</b>	<b>16,450</b>	<b>(1,515)</b>
<b>Investing activities:</b>		
Cash paid for acquisitions, net of cash acquired	—	(26,812)
Capital expenditures	(4,922)	(11,262)
Proceeds from sale of fixed assets	19	29
Insurance proceeds	1,093	—
<b>Net cash used in investing activities</b>	<b>(3,810)</b>	<b>(38,045)</b>
<b>Financing activities:</b>		
Short-term (repayments) borrowings, net	(4,438)	17,344
Proceeds from issuance of long-term debt	—	32,288
Repayments of long-term debt	(1,609)	(279)
Payment of debt issuance fees	—	(424)
Common stock dividends	(1,361)	(2,684)
Excess tax (deficiencies) benefits from share-based payment arrangements	(95)	2,752
Payment of withholding taxes from share-based incentive issuance	—	(6,000)
Exercise of stock options and other	—	523
<b>Net cash (used in) from financing activities</b>	<b>(7,503)</b>	<b>43,520</b>
Effect of exchange rate changes on cash and cash equivalents	279	(798)
<b>Net increase in cash and cash equivalents</b>	<b>5,416</b>	<b>3,162</b>
Cash and cash equivalents — beginning of year	15,277	22,970
<b>Cash and cash equivalents — end of period</b>	<b>\$ 20,693</b>	<b>\$ 26,132</b>

*The accompanying notes are an integral part of these statements.*

A. M. Castle & Co.  
Notes to Condensed Consolidated Financial Statements  
(Unaudited — Amounts in thousands except per share data)

**(1) Condensed Consolidated Financial Statements**

The condensed consolidated financial statements included herein have been prepared by A. M. Castle & Co. and subsidiaries (the “Company”), without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). The Condensed Consolidated Balance Sheet at December 31, 2008 is derived from the audited financial statements at that date. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to the rules and regulations of the SEC. In the opinion of management, the unaudited statements, included herein, contain all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of financial results for the interim periods. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s latest Annual Report on Form 10-K. The 2009 interim results reported herein may not necessarily be indicative of the results of the Company’s operations for the full year.

Non-cash investing activities for the six months ended June 30, 2009 and 2008 consisted of \$54 and \$198, of capital expenditures financed by accounts payable, respectively. For the six months ended June 30, 2008, non-cash investing activities also included \$1,997 of stock consideration probable of being paid, but not yet paid, related to the acquisition of Metals U.K. Group.

**(2) New Accounting Standards**

*Standards Adopted*

Effective June 30, 2009, the Company adopted SFAS No. 165, “Subsequent Events” (“SFAS 165”). SFAS 165 clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial statements are issued or are available to be issued. Management must perform its assessment for both interim and annual financial reporting periods. The adoption of SFAS 165 did not have an impact on the Company’s financial position, results of operations and cash flows. See *Note 13* for disclosure required by SFAS 165.

Effective June 30, 2009, the Company adopted FSP FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP FAS 107-1 and APB 28-1”). This FSP requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also requires those disclosures in summarized financial information at interim reporting periods. The adoption of FSP FAS 107-1 and APB 28-1 did not have an impact on the Company’s financial position, results of operations and cash flows. Refer to *Note 4* for required interim disclosures related to fixed rate debt.

Effective January 1, 2009, the Company adopted SFAS No. 141R, “Business Combinations” (“SFAS 141R”). SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The adoption of SFAS 141R did not have an impact on the Company’s financial position, results of operations and cash flows.

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Effective January 1, 2009, the Company adopted FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, whether these instruments need to be included in the earnings allocation in computing earnings per share under the two-class method in accordance with SFAS No. 128, "Earnings per Share" ("SFAS 128"). Due to the insignificant number of participating securities outstanding at June 30, 2009, the adoption of FSP EITF 03-6-1 did not have an impact on the Company's earnings per share calculation. See *Note 3* for further discussion.

### *Standards Issued Not Yet Adopted*

On June 12, 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). SFAS 167 amends the consolidation guidance that applies to a variable interest entity ("VIE"). The amendments will significantly affect the overall consolidation analysis under FASB Interpretation No. 46(R) ("FIN 46(R)"). Under SFAS 167, an enterprise will need to carefully reconsider its previous FIN 46(R) conclusions, including (1) whether an entity is a VIE, (2) whether the enterprise is the VIE's primary beneficiary, and (3) what type of financial statement disclosures are required. SFAS 167 is effective for the Company as of January 1, 2010. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS 167 on the Company's financial position, results of operations and cash flows.

On June 29, 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162" ("SFAS 168"). SFAS 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles ("GAAP") in the United States. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of SFAS 168 will result in changes to authoritative guidance references included in future interim and annual financial statements issued.

### **(3) Earnings Per Share**

Diluted earnings per share is computed by dividing net income by the weighted average number of shares of common stock plus common stock equivalents. Common stock equivalents consist of stock options, restricted stock awards and other share-based payment awards, which have been included in the calculation of weighted average shares outstanding using the treasury stock method. The following table is a reconciliation of the basic and diluted earnings per share calculations for the three and six months ended June 30, 2009 and 2008:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Numerator:				
Net (loss) income	\$ (5,521)	\$11,251	\$ (5,041)	\$25,065
Denominator:				
Denominator for basic earnings per share:				
Weighted average common shares outstanding	22,903	22,621	22,815	22,408
Effect of dilutive securities:				
Outstanding employee and directors' common stock options, restricted stock and share-based awards	—	155	—	82

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Denominator for diluted earnings per share	22,903	22,776	22,815	22,490
Basic (loss) earnings per share	\$ (0.24)	\$ 0.50	\$ (0.22)	\$ 1.12
Diluted (loss) earnings per share	\$ (0.24)	\$ 0.49	\$ (0.22)	\$ 1.11
Excluded outstanding common stock options having an anti-dilutive effect	240	20	240	20

For the three and six months ended June 30, 2009 and 2008, the undistributed earnings (losses) attributed to participating securities, which represent restricted stock granted by the Company, were less than one percent of total earnings (losses). FSP EITF 03-6-1 may have a more significant impact on the Company's earnings per share calculation and disclosures in the future. The magnitude of the impact of FSP EITF 03-6-1 will be dependent on the nature, size and terms of future grants of restricted stock or other participating securities.

### (4) Debt

Short-term and long-term debt consisted of the following:

	June 30, 2009	December 31, 2008
<b>SHORT-TERM DEBT</b>		
U.S. Revolver A (a)	\$ 16,800	\$ 18,000
Mexico	—	1,700
Other foreign	—	1,500
Trade acceptances (b)	9,939	9,997
Total short-term debt	26,739	31,197
<b>LONG-TERM DEBT</b>		
6.76% insurance company loan due in scheduled installments from 2007 through 2015	56,816	56,816
U.S. Revolver B (a)	25,495	24,018
Industrial development revenue bonds at a 1.70% weighted average rate, due in varying amounts through 2009	3,500	3,500
Other, primarily capital leases	1,433	1,522
Total long-term debt	87,244	85,856
Less current portion	(10,891)	(10,838)
Total long-term portion	76,353	75,018
<b>TOTAL SHORT-TERM AND LONG-TERM DEBT</b>	<b>\$113,983</b>	<b>\$117,053</b>

- (a) On January 2, 2008, the Company and its Canadian, U.K. and material domestic subsidiaries entered into a First Amendment to its Amended and Restated Credit Agreement (the "2008 Senior Credit Facility") dated as of September 5, 2006 with its lending syndicate. The 2008 Senior Credit Facility provides a \$230,000 five-year secured revolver. The facility consists of (i) a \$170,000 revolving "A" loan (the "U.S. Revolver A"), (ii) a \$50,000 multicurrency revolving "B" loan (the "U.S. Revolver B"), and (iii) a Cdn. \$9,800 revolving loan (corresponding to \$10,000 in U.S. dollars as of the amendment closing date; availability expressed in U.S. dollars changes based on

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movement in the exchange rate between the Canadian dollar and U.S. dollar). In addition, the maturity date of the 2008 Senior Credit Facility was extended to January 2, 2013. The obligations of the U.K. subsidiary under the U.S. Revolver B are guaranteed by the Company and its material domestic subsidiaries (the "Guarantee Subsidiaries") pursuant to a U.K. Guarantee Agreement entered into by the Company and the Guarantee Subsidiaries on January 2, 2008. The U.S. Revolver A letter of credit sub-facility was increased from \$15,000 to \$20,000.

The Company has classified U.S. Revolver A as short-term based on its ability and intent to repay amounts outstanding under this instrument within the next 12 months. U.S. Revolver B is classified as long-term as the Company's cash projections indicate that amounts outstanding under this instrument are not expected to be repaid within the next 12 months. Taking into consideration the most recent borrowing base calculation as of June 30, 2009, which reflects trade receivables, inventory, letters of credit and other outstanding secured indebtedness, the Company had availability of \$52,058 under its U.S. Revolver A and \$24,505 under its U.S. Revolver B. The Company's Canadian subsidiary had availability of approximately \$8,260. The weighted average interest rate for borrowings under the U.S. Revolver A and U.S. Revolver B for the six months ended June 30, 2009 was 1.87% and 2.06%, respectively.

- b) At June 30, 2009, the Company had \$9,939 in outstanding trade acceptances with varying maturity dates ranging up to 120 days. The weighted average interest rate was 2.86% for the six months ended June 30, 2009.

The fair value of the Company's fixed rate debt as of June 30, 2009, including current maturities, was estimated to be between \$47,400 and \$49,800 compared to a carrying value of \$56,816. The fair value of the fixed rate debt was determined using a market approach, which estimates fair value based on companies with similar credit quality and size of debt issuances.

As of June 30, 2009, the estimated fair value of the Company's debt outstanding under its revolving credit facility is estimated to be lower than carrying value since the terms of this facility are more favorable than those that might be expected to be available in the current lending environment. We are unable to estimate the fair value of the Company's revolving bank debt due to the potential variability of expected outstanding balances under the facility.

As of June 30, 2009, the Company remains in compliance with the covenants of its financing agreements, which requires it to maintain certain funded debt-to-capital ratios, working capital-to-debt ratios and a minimum adjusted consolidated net worth as defined within the agreements.

### **(5) Segment Reporting**

The Company distributes and performs processing on both metals and plastics. Although the distribution processes are similar, different customer markets, supplier bases and types of products exist. 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 in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" and are reported accordingly.

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, stainless, nickel, titanium and carbon. Inventories of these products assume many forms such as plate, sheet, 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, service centers are equipped as needed with bar saws, plate saws, oxygen and plasma arc flame cutting machinery, water-jet cutting, stress relieving and annealing furnaces, surface grinding equipment and sheet shearing equipment. This segment also performs various specialized fabrications for its customers through pre-qualified subcontractors that thermally process, turn, polish and straighten alloy and carbon bar.

The Company's Plastics segment consists exclusively of Total Plastics, Inc. ("TPI") headquartered in

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Kalamazoo, Michigan. 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), marine, office furniture and fixtures, transportation 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.

The accounting policies of all segments are the same as described in *Note 1 "Basis of Presentation and Significant Accounting Policies"* in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. Management evaluates the performance of its business segments based on operating income.

Segment information for the three months ended June 30, 2009 and 2008 is as follows:

	Net Sales	Operating (Loss) Income	Capital Expenditures	Depreciation & Amortization
<b>2009</b>				
Metals segment	\$174,076	\$ (7,061)	\$1,050	\$5,186
Plastics segment	21,027	(218)	47	356
Other	—	(335)	—	—
Consolidated	<u>\$195,103</u>	<u>\$ (7,614)</u>	<u>\$1,097</u>	<u>\$5,542</u>
<b>2008</b>				
Metals segment	\$365,400	\$19,570	\$5,380	\$5,749
Plastics segment	31,715	1,096	505	318
Other	—	(3,073)	—	—
Consolidated	<u>\$397,115</u>	<u>\$17,593</u>	<u>\$5,885</u>	<u>\$6,067</u>

"Other" — Operating loss includes the costs of executive, legal and finance departments, which are shared by both the Metals and Plastics segments. For the quarter ended June 30, 2009, an insurance gain of \$1,308 was included in the operating loss.

Segment information for the six months ended June 30, 2009 and 2008 is as follows:

	Net Sales	Operating (Loss) Income	Capital Expenditures	Depreciation & Amortization
<b>2009</b>				
Metals segment	\$405,158	\$ (3,046)	\$ 4,784	\$10,271
Plastics segment	42,189	(626)	138	687
Other	—	(2,180)	—	—
Consolidated	<u>\$447,347</u>	<u>\$ (5,852)</u>	<u>\$ 4,922</u>	<u>\$10,958</u>
<b>2008</b>				
Metals segment	\$727,666	\$42,872	\$10,246	\$11,257
Plastics segment	62,928	2,714	1,016	621
Other	—	(5,676)	—	—
Consolidated	<u>\$790,594</u>	<u>\$39,910</u>	<u>\$11,262</u>	<u>\$11,878</u>

"Other" — Operating loss includes the costs of executive, legal and finance departments, which are shared by both the Metals and Plastics segments.

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Segment information for total assets is as follows:

	June 30, 2009	December 31, 2008
Metals segment	\$547,149	\$602,897
Plastics segment	46,591	52,797
Other	22,703	23,340
Consolidated	<u>\$616,443</u>	<u>\$679,034</u>

“Other” — Total assets consist of the Company’s investment in joint venture.

### (6) Goodwill and Intangible Assets

The changes in carrying amounts of goodwill during the six months ended June 30, 2009 were as follows:

	Metals Segment	Plastics Segment	Total
Balance as of January 1, 2009	\$38,348	\$12,973	\$51,321
Currency valuation	34	—	34
Balance as of June 30, 2009	<u>\$38,382</u>	<u>\$12,973</u>	<u>\$51,355</u>

As discussed in *Note 8*, “Goodwill and Intangible Assets”, in the Company’s Annual Report on Form 10-K for the year ended December 31, 2008, the Company recorded a goodwill impairment charge of \$58,860 for the year ended December 31, 2008.

The Company’s annual test for goodwill impairment is completed as of January 1<sup>st</sup> each year. Based on the January 1, 2009 test, the Company determined that there was no impairment of goodwill. The Company’s year-to-date operating results, among other factors, were considered in determining whether it was more likely than not that the fair value for any reporting unit had declined below its carrying value, which would require the Company to perform an interim goodwill impairment test during the six months ended June 30, 2009. A continued recession or further economic declines could result in changes to management’s expectations of future financial results and/or key valuation assumptions. These changes could result in changes to estimates of the fair value of the Company’s reporting units and could result in a test for the impairment of goodwill prior to January 1, 2010.

The following summarizes the components of intangible assets:

	June 30, 2009		December 31, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	\$69,596	\$18,123	\$69,292	\$14,729
Non-compete agreements	2,962	2,172	2,805	1,626
Trade name	378	378	378	378
Total	<u>\$72,936</u>	<u>\$20,673</u>	<u>\$72,475</u>	<u>\$16,733</u>

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The weighted-average amortization period for the intangible assets is 10.5 years, 10.8 years for customer relationships and 3 years for non-compete agreements. Substantially all of the Company's intangible assets were acquired as part of the acquisitions of Transtar on September 5, 2006 and Metals U.K. on January 3, 2008, respectively. For the three-month periods ended June 30, 2009 and 2008, amortization expense was \$1,884 and \$2,099, respectively. For the six-month periods ended June 30, 2009 and 2008, amortization expense was \$3,779 and \$4,198, respectively.

The following is a summary of the estimated annual amortization expense for 2009 and each of the next 4 years:

2009	\$7,430
2010	7,131
2011	6,642
2012	6,143
2013	6,143

### (7) Inventories

Over eighty percent of the Company's inventories are stated at the lower of LIFO cost or market. Final inventory determination under the LIFO method is made at the end of each fiscal year based on the actual inventory levels and costs at that time. Interim LIFO determinations, including those at June 30, 2009, are based on management's estimates of future inventory levels and costs. The Company values its LIFO increments using the cost of its latest purchases during the periods reported.

Current replacement cost of inventories exceeded book value by \$105,376 and \$133,748 at June 30, 2009 and December 31, 2008, respectively. Income taxes would become payable on any realization of this excess from reductions in the level of inventories.

### (8) Share-based Compensation

The Company accounts for its share-based compensation arrangements by recognizing compensation expense for the fair value of the share awards granted ratably over their vesting period. The consolidated compensation cost recorded for the Company's share-based compensation arrangements was \$240 and \$926 for the three months ended June 30, 2009 and 2008, respectively and \$710 and \$1,757 for the six months ended June 30, 2009 and 2008, respectively. The total income tax benefit recognized in the condensed consolidated statements of operations for share-based compensation arrangements was \$94 and \$361 for the three months ended June 30, 2009 and 2008, respectively and \$277 and \$685 for the six months ended June 30, 2009 and 2008, respectively. All compensation expense related to share-based compensation arrangements is recorded in sales, general and administrative expense. The unrecognized compensation cost as of June 30, 2009 associated with all share-based payment arrangements is \$1,680 and the weighted average period over which it is to be expensed is 1.3 years.

#### Stock Options

A summary of the stock option activity is as follows:

	Shares	Weighted Average Exercise Price
Stock options outstanding at January 1, 2009	246	\$11.49
Expired	(6)	15.06
Stock options outstanding at June 30, 2009	<u>240</u>	11.39
Stock options vested or expected to vest as of June 30, 2009	<u>240</u>	

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The total intrinsic value of options outstanding at June 30, 2009 is \$637. As of June 30, 2009, stock options outstanding had a weighted average remaining contractual life of 4.2 years. There was no unrecognized compensation cost related to stock option compensation arrangements.

### *Restricted Stock*

The total fair value of shares vested during the three and six months ended June 30, 2009 was \$600 and \$908, respectively. The fair value of the non-performance based restricted stock awards is established using the market price of the Company's stock on the date of grant.

A summary of the restricted stock activity is as follows:

<b>Restricted Stock</b>	<b>Shares</b>	<b>Weighted-Average Grant Date Fair Value</b>
Non-vested shares outstanding at January 1, 2009	68	\$26.23
Granted	267	8.14
Forfeited	(12)	19.01
Vested	(34)	26.67
Non-vested shares outstanding at June 30, 2009	<u>289</u>	12.85
Non-vested shares expected to vest as of June 30, 2009	<u>255</u>	

In addition to the performance awards discussed below (see "Long-Term Incentive Plans"), the Company's 2009 Long-Term Incentive Plan included issuance of approximately 187 shares of restricted stock. These shares of restricted stock cliff vest at the end of a three-year service period. Unless covered by a specific change-in-control or severance arrangement, individuals to whom shares of restricted stock have been granted must be employed by the Company at the end of the service period or the award will be forfeited, unless the termination of employment was due to death, disability or retirement. Compensation expense is recognized based on management's estimate of the total number of shares of restricted stock expected to vest at the end of the service period.

### *Deferred Compensation Plan*

As of June 30, 2009, a total of 29 common share equivalent units are included in the director stock equivalent unit accounts.

### *Long-Term Incentive Plans*

The Company maintains Long-term Incentive Plans ("LTI Plans") for officers and other key management employees. Under the LTI Plans, selected officers and other key management employees are eligible to receive share-based awards. Final award vesting and distribution of performance awards granted under the LTI Plans are determined based on the Company's actual performance versus the target goals for a three-year consecutive period (as defined in the 2007, 2008 and 2009 Plans, respectively). 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 performance goals are three-year

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cumulative net income and average return on total capital for the same three-year period. Unless covered by a specific change-in-control or severance arrangement, individuals to whom performance awards have been granted under the LTI Plans must be employed by the Company at the end of the performance period or the performance award will be forfeited, unless the termination of employment was due to death, disability or retirement. 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.

The status of the active LTI Plans as of June 30, 2009 is summarized below:

Plan Year	Grant Date Fair Value	Estimated Number of Performance Shares to be Issued	Maximum Number of Performance Shares that could Potentially be Issued
2007	\$25.45 - \$34.33	—	180
2008	\$22.90 - \$28.17	—	374
2009	\$5.66	—	713

### (9) Comprehensive (Loss) Income

Comprehensive (loss) income includes net income and all other non-owner changes to equity that are not reported in net income. The Company's comprehensive (loss) income for the three months ended June 30, 2009 and 2008 is as follows:

	June 30,	
	2009	2008
Net (loss) income	\$(5,521)	\$11,251
Foreign currency translation gain	997	309
Pension cost amortization, net of tax	60	58
Total comprehensive (loss) income	\$(4,464)	\$11,618

The Company's comprehensive (loss) income for the six months ended June 30, 2009 and 2008 is as follows:

	June 30,	
	2009	2008
Net (loss) income	\$(5,041)	\$25,065
Foreign currency translation gain (loss)	2,201	(803)
Pension cost amortization, net of tax	119	1,165
Total comprehensive (loss) income	\$(2,721)	\$25,427

The components of accumulated other comprehensive loss is as follows:

	June 30, 2009	December 31, 2008
Foreign currency translation losses	\$(3,592)	\$ (5,793)
Unrecognized pension and postretirement benefit costs, net of tax	(5,550)	(5,669)
Total accumulated other comprehensive loss	\$(9,142)	\$(11,462)

**(10) Pension and Postretirement Plans**

During March 2008, the supplemental pension plan was amended and as a result, a curtailment gain of \$472 was recognized at that time. Effective July 1, 2008, the Company — sponsored pension plans and supplemental pension plan (collectively, the “pension plans”) were frozen.

In conjunction with the decision to freeze the pension plans, the Company modified its investment portfolio target allocation for the pension plans’ funds. The revised investment target portfolio allocation focuses primarily on corporate fixed income securities that match the overall duration and term of the Company’s pension liability structure. The Company’s decision to change the investment portfolio target allocation resulted in a reduction to the expected long — term rate of return for 2009, which, absent other changes, results in an increase to the Company’s future net periodic pension cost.

Components of the net periodic pension and postretirement benefit cost for the three and six months ended are as follows:

	For the Three Months Ended June 30,	
	2009	2008
Service cost	\$ 197	\$ 529
Interest cost	1,934	1,826
Expected return on assets	(2,253)	(2,781)
Amortization of prior service cost	72	26
Amortization of actuarial loss	34	83
Net periodic pension and postretirement benefit, excluding impact of curtailment	<u>\$ (16)</u>	<u>\$ (317)</u>

	For the Six Months Ended June 30,	
	2009	2008
Service cost	\$ 393	\$ 1,058
Interest cost	3,867	3,653
Expected return on assets	(4,505)	(5,562)
Amortization of prior service cost	144	52
Amortization of actuarial loss	68	166
Net periodic pension and postretirement benefit, excluding impact of curtailment	<u>\$ (33)</u>	<u>\$ (633)</u>

As of June 30, 2009, the Company had not made any cash contributions to its pension plans for this fiscal year and does not anticipate making any significant cash contributions to its pension plans in 2009.

**(11) Commitments and Contingent Liabilities**

At June 30, 2009, the Company had \$6,371 of irrevocable letters of credit outstanding which primarily consisted of \$3,500 in support of the outstanding industrial development revenue bonds and \$1,900 for compliance with the insurance reserve requirements of its workers’ compensation insurance carrier.

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The Company is a defendant in several lawsuits arising from the operation of its business. These lawsuits are incidental and occur in the normal course of the Company's business affairs. It is the opinion of management, based on current knowledge, that no uninsured liability will result from the outcome of this litigation that would have a material adverse effect on the consolidated results of operations, financial condition or cash flows of the Company.

### (12) Income Taxes

As of June 30, 2009, the Company had unrecognized tax benefits of \$1,061 of which \$368 would impact the effective tax rate if recognized. At June 30, 2009, the Company had accrued interest and penalties related to unrecognized tax benefits of \$130.

During the six months ended June 30, 2009, the Internal Revenue Service ("IRS") completed the examination of the Company's 2005 and 2006 U.S. federal income tax returns. The Company settled with the IRS on various tax matters. As a result of the settlement, the Company's tax benefit for the six-month period ended June 30, 2009 included a \$368 discrete benefit. During the three-month period ended June 30, 2009, the Company paid \$4,086 in tax due to the IRS which was primarily related to temporary differences associated with the Company's inventory costing methodology.

The Company or its subsidiaries files income tax returns in the U.S., 28 states and seven foreign jurisdictions. The tax years 2005 through 2007 remain open to examination by the major taxing jurisdictions to which the Company or its subsidiaries is subject. Due to the potential expiration of statutes of limitations, it is reasonably possible that the gross unrecognized tax benefits may potentially decrease within the next 12 months by a range of approximately \$0 to \$700.

### (13) Subsequent Events

The Company evaluated subsequent events through July 30, 2009, which corresponds to the issue date of the Company's interim financial statements for the period ended June 30, 2009. No events requiring financial statement recognition or disclosure were noted.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*Amounts in millions except per share data*

### *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. These 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" in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. All future written and oral forward-looking statements by us or persons*

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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.

The following discussion should be read in conjunction with the Company's condensed consolidated financial statements and related notes thereto in ITEM 1 "Condensed Consolidated Financial Statements (unaudited)".

### **Executive Overview**

#### **Economic Trends and Current Business Conditions**

A. M. Castle & Co. and subsidiaries (the "Company") experienced lower demand in the second quarter of 2009 in both the Metals and Plastics segments, reflecting the declines in the overall global economy compared to the second quarter of 2008. The Company implemented several cost reduction initiatives in response to the declining demand for its products resulting from continued challenges in the global economy and the metals and plastics markets, resulting in operating expenses in the second quarter of 2009 that were 30% lower than the prior year period.

Metals segment sales decreased 52.4% from the second quarter of 2008. Average tons sold per day decreased 50.5%. Key end-use markets that experienced significant declines in demand include oil and gas, business jet, heavy equipment, industrial goods and construction equipment.

The Metals segment successfully completed the third phase of implementation of its ERP system on June 1, 2009. This phase brought nine locations in the Western and Southwestern United States onto the new system, joining eleven locations in the U.S. and Canada, plus the Company's Corporate HR and Finance functions. Management remains committed to migrating the rest of the Metals segment domestic locations to the new system in 2009. The next phase of the implementation is scheduled for August 31, 2009, when the Company will migrate eleven more locations in the Midwest and Eastern United States to the new ERP system.

The Company's Plastics segment reported a sales decline of 33.8% compared to the second quarter of 2008, primarily due to lower sales volume.

Management uses the Purchaser's Managers Index ("PMI") provided by the Institute of Supply Management (website is [www.ism.ws](http://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 2007 through the second quarter of 2009. Generally speaking, an index above 50.0 indicates growth in the manufacturing sector of the U.S. economy, while readings under 50.0 indicate contraction. Based on the data below, the index remained below 50.0 during the second quarter of 2009. However, the index increased from the first quarter of 2009, which indicates improvement in the manufacturing sector of the economy compared to the previous 2 quarters.

YEAR	Qtr 1	Qtr 2	Qtr 3	Qtr 4
2007	50.5	53.0	51.3	49.6
2008	49.2	49.5	47.8	36.1
2009	35.9	42.6		

An unfavorable 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 lower level in the near-term. The Company believes that its revenue trends typically correlate to the changes in PMI on a lag basis.

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### Results of Operations: Second Quarter 2009 Comparisons to Second Quarter 2008

Consolidated results by business segment are summarized in the following table for the quarter ended June 30, 2009 and 2008.

	<i>Fav/(Unfav)</i>			
	2009	2008	\$ Change	% Change
<b>Net Sales</b>				
Metals	\$174.1	\$365.4	\$(191.3)	(52.4)%
Plastics	21.0	31.7	(10.7)	(33.8)%
Total Net Sales	\$195.1	\$397.1	\$(202.0)	(50.9)%
<b>Cost of Materials</b>				
Metals	\$130.6	\$275.2	\$ 144.6	52.5%
<i>% of Metals Sales</i>	75.0 %	75.3 %		
Plastics	14.5	22.0	7.5	34.1%
<i>% of Plastics Sales</i>	69.0 %	69.4 %		
Total Cost of Materials	\$145.1	\$297.2	\$ 152.1	51.2%
<i>% of Total Sales</i>	74.4 %	74.8 %		
<b>Operating Costs and Expenses</b>				
Metals	\$ 50.5	\$ 70.6	\$ 20.1	28.5%
Plastics	6.8	8.6	1.8	20.9%
Other	0.3	3.1	2.8	90.3%
Total Operating Costs & Expenses	\$ 57.6	\$ 82.3	\$ 24.7	30.0%
<i>% of Total Sales</i>	29.5 %	20.7 %		
<b>Operating (Loss) Income</b>				
Metals	\$ (7.0)	\$ 19.6	\$ (26.6)	(135.7)%
<i>% of Metals Sales</i>	(4.0)%	5.4 %		
Plastics	(0.3)	1.1	(1.4)	(127.3)%
<i>% of Plastics Sales</i>	(1.4)%	3.5 %		
Other	(0.3)	(3.1)	2.8	90.3%
Total Operating (Loss) Income	\$ (7.6)	\$ 17.6	\$ (25.2)	(143.2)%
<i>% of Total Sales</i>	(3.9)%	4.4 %		

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

#### Net Sales:

Consolidated net sales were \$195.1 million, a decrease of \$202.0 million, or 50.9%, versus the second quarter of 2008. Decreased revenues were primarily the result of lower shipping volumes in light of continued challenges in the global economy and the metals and plastics markets. Metals segment sales during the second quarter of 2009 of \$174.1 million were \$191.3 million, or 52.4%, lower than the same period last year. Average tons sold per day decreased 50.5% and sales mix changes largely offset lower overall prices. The softness experienced in the second quarter was broad-based, impacting virtually all end-markets and products reflecting significantly weaker demand conditions compared to last year.

Plastics segment sales during the second quarter of 2009 of \$21.0 million were \$10.7 million, or 33.8% lower than the second quarter of 2008 due to lower sales volume. The Plastics business also experienced softer demand during the quarter as a result of the current business environment.

### Cost of Materials:

Cost of materials (exclusive of depreciation and amortization) during the second quarter of 2009 were \$145.1 million, a decrease of \$152.1 million, or 51.2%, compared to the second quarter of 2008. Material costs for the Metals segment were 75.0% as a percent of sales, a decrease of 0.3% from the second quarter of 2008. Material costs for the Plastics segment were 69.0% as a percent of sales for the second quarter of 2009 as compared to 69.4% for the same period last year.

### Operating Expenses and Operating (Loss) Income:

On a consolidated basis, operating costs and expenses decreased \$24.7 million, or 30.0%, compared to the second quarter of 2008. Operating costs and expenses were \$57.6 million, or 29.5% of sales, compared to \$82.3 million, or 20.7% of sales during the second quarter of 2008. In response to the declining demand for its products resulting from continued challenges in the global economy and the metals and plastics markets, the Company implemented several initiatives during the first half of 2009 to align its cost structure with activity levels. Cost reduction measures implemented in April, 2009, brought the estimated 2009 operating cost reduction to \$65 million compared to 2008 levels. The actions announced in April included reductions in payroll costs through a combination of reduced work weeks and furloughs, suspension of the Company's 401(k) contributions, and executive salary cuts of at least 10 percent.

The decrease in operating expenses for the second quarter of 2009 compared to the second quarter of 2008 primarily relate to the following:

- Warehouse, processing and delivery costs decreased by \$13.9 million of which \$7.2 million is the result of lower sales volume and \$6.7 million is due to decreased payroll costs associated with workforce reductions, reduced workweeks and suspension of the Company 401(k) contributions;
- Sales, general and administrative costs decreased due primarily to lower ERP implementation costs of \$1.1 million, decreased payroll related costs of \$4.8 million associated with workforce reductions and reduced workweeks, incentive compensation and suspension of Company 401(k) contributions and included a gain of \$1.3 million related to an insurance settlement; and
- Depreciation and amortization expense was \$0.5 million lower due to a decrease in capital expenditures across the Company and certain intangible assets of Metals U.K. were fully amortized in 2008.

Consolidated operating loss for the second quarter of 2009 was \$7.6 million compared to operating income of \$17.6 million for the same period last year. The Company's second quarter 2009 operating (loss) income as a percent of net sales decreased to (3.9)% from 4.4% in the second quarter of 2008, primarily due to decreased sales volume in light of the current business environment.

### Other Income and Expense, Income Taxes and Net Income:

Interest expense was \$1.6 million in the second quarter of 2009, a decrease of \$0.7 million versus the same period in 2008 as a result of lower weighted average interest rates.

For the quarters ended June 30, 2009 and 2008, the Company recorded a \$3.8 million tax benefit and a \$6.9 million tax provision, respectively. The effective tax rate for the quarters ended June 30, 2009 and 2008 were 41.3% and 45.2%, respectively. The decline in the effective tax rate compared to the second quarter of 2008 was primarily the result of the reduced earnings of the joint venture offset, in part, by the increased benefit due to the higher

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effective tax rate on U.S. source losses than on the Company's foreign source net losses.

Equity in losses of the Company's joint venture, Kreher Steel, was \$0.1 million in the second quarter of 2009, compared to equity in earnings of \$2.8 million for the same period last year. The decline is a result of weaker demand for Kreher's products compared to the same period last year.

Consolidated net loss for the second quarter of 2009 was \$5.5 million, or \$0.24 per diluted share, versus net income of \$11.3 million, or \$0.49 per diluted share, for the same period in 2008.

### Results of Operations: Six Months 2009 Comparisons to Six Months 2008

Consolidated results by business segment are summarized in the following table for the six months ended June 30, 2009 and 2008.

	<i>Fav/(Unfav)</i>			
	<i>2009</i>	<i>2008</i>	<i>\$ Change</i>	<i>% Change</i>
<b>Net Sales</b>				
Metals	\$405.2	\$727.7	\$(322.5)	(44.3)%
Plastics	42.1	62.9	(20.8)	(33.1)%
<b>Total Net Sales</b>	<b>\$447.3</b>	<b>\$790.6</b>	<b>\$(343.3)</b>	<b>(43.4)%</b>
<b>Cost of Materials</b>				
Metals	\$298.4	\$545.5	\$ 247.1	45.3%
<i>% of Metals Sales</i>	<i>73.6 %</i>	<i>75.0 %</i>		
Plastics	28.9	43.1	14.2	32.9%
<i>% of Plastics Sales</i>	<i>68.6 %</i>	<i>68.5 %</i>		
<b>Total Cost of Materials</b>	<b>\$327.3</b>	<b>\$588.6</b>	<b>\$ 261.3</b>	<b>44.4%</b>
<i>% of Total Net Sales</i>	<i>73.2 %</i>	<i>74.4 %</i>		
<b>Operating Costs and Expenses</b>				
Metals	\$109.8	\$139.3	\$ 29.5	21.2%
Plastics	13.9	17.1	3.2	18.7%
Other	2.2	5.7	3.5	61.4%
<b>Total Operating Costs &amp; Expenses</b>	<b>\$125.9</b>	<b>\$162.1</b>	<b>\$ 36.2</b>	<b>22.3%</b>
<i>% of Total Net Sales</i>	<i>28.1 %</i>	<i>20.5 %</i>		
<b>Operating (Loss) Income</b>				
Metals	\$ (3.0)	\$ 42.9	\$ (45.9)	(107.0)%
<i>% of Metals Sales</i>	<i>(0.7)%</i>	<i>5.9 %</i>		
Plastics	(0.7)	2.7	(3.4)	(125.9)%
<i>% of Plastics Sales</i>	<i>(1.7)%</i>	<i>4.3 %</i>		
Other	(2.2)	(5.7)	3.5	61.4%
<b>Total Operating (Loss) Income</b>	<b>\$ (5.9)</b>	<b>\$ 39.9</b>	<b>\$ (45.8)</b>	<b>(114.8)%</b>
<i>% of Total Net Sales</i>	<i>(1.3)%</i>	<i>5.0 %</i>		

*"Other"* — Operating loss includes the costs of executive, finance and legal departments, and other corporate activities which support both the metals and plastics segments of the Company.

### Net Sales:

Consolidated net sales were \$447.3 million, a decrease of \$343.3 million, or 43.4%, versus the first half of 2008. Decreased revenues were primarily the result of lower shipping volumes in light of continued challenges in the global economy and the metals and plastics markets. Metals segment

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sales during the first half of 2009 of \$405.2 million were \$322.5 million, or 44.3%, lower than the same period last year. Average tons sold per day decreased 42.5% and sales mix changes largely offset lower overall prices. The softness experienced in the first half of 2009 was broad-based, impacting virtually all end-markets and products reflecting significantly weaker demand conditions compared to last year.

Plastics segment sales during the first half of 2009 of \$42.1 million were \$20.8 million, or 33.1% lower than the same period last year. The Plastics business also experienced softer demand during the six months ended June 30, 2009 as a result of the current business environment.

### **Cost of Materials:**

Cost of materials (exclusive of depreciation and amortization) during the first half of 2009 were \$327.3 million, a decrease of \$261.3 million, or 44.4%, compared to the first half of 2008. Material costs for the Metals segment for the first six months of 2009 were 73.6% as a percent of sales, a decrease of 1.4% from the first six months of 2008. The product surcharges that increased material costs as a percent of sales in the first half of 2008 generally did not exist in the first half of 2009, resulting in lower material costs as a percent of sales for the first half of 2009 compared to the same period in 2008. Material costs for the Plastics segment were consistent at 68.6% and 68.5% as a percent of sales for the first half of 2009 and 2008, respectively.

### **Operating Expenses and Operating Income:**

On a consolidated basis, year-to-date operating costs and expenses decreased \$36.2 million, or 22.3%, compared to the same period last year. Operating costs and expenses were \$125.9 million, or 28.1% as a percent of sales, compared to \$162.1 million, or 20.5% as a percent of sales last year. In response to the declining demand for its products resulting from continued challenges in the global economy and the metals and plastics markets, the Company implemented numerous initiatives during the first half of 2009 to align its cost structure with activity levels. The cost reduction actions primarily focused on payroll related costs, the Company's largest operating expense category, resulting in reduced work weeks and furloughs, suspension of the Company's 401 (k) contributions, and executive salary cuts of at least 10 percent.

The decrease in operating expenses for the first half of 2009 compared to 2008 primarily relate to the following:

- Warehouse, processing and delivery costs decreased by \$21.5 million of which \$11.8 million is the result of lower sales volume and \$9.7 million is due to decreased payroll costs associated with workforce reductions, reduced workweeks and suspension of the Company 401(k) contributions;
- Sales, general and administrative costs decreased due primarily to lower ERP implementation costs of \$2.3 million, decreased payroll related costs of \$5.8 million associated with workforce reductions and reduced workweeks, incentive compensation and suspension of Company 401(k) contributions and included a gain of \$1.3 million related to an insurance settlement; and
- Depreciation and amortization expense was \$0.9 million lower due to a decrease in capital expenditures across the Company and certain intangible assets of Metals U.K. were fully amortized in 2008.

Consolidated operating loss for the six months ended June 30, 2009 was \$5.9 million compared to operating income of \$39.9 million for the same period last year, primarily due to decreased sales volume in light of the current business environment.

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### **Other Income and Expense, Income Taxes and Net Income:**

Interest expense was \$3.3 million for the six months ended June 30, 2009, a decrease of \$1.0 million versus the same period in 2008 as a result of lower weighted average interest rates.

For the six-month periods ended June 30, 2009 and 2008, the Company recorded a \$4.2 million tax benefit and a \$15.3 million tax provision, respectively. The \$4.2 million tax benefit for the six-month period ended June 30, 2009 included a \$0.6 million benefit from favorable discrete items and a \$3.6 million tax benefit from operations due to pre-tax losses incurred for the first six months of 2009. During the six months ended June 30, 2009, the Internal Revenue Service ("IRS") completed the examination of the Company's 2005 and 2006 U.S. federal income tax returns. The Company settled with the IRS on various tax matters. The Company paid \$4.1 million in tax due to the IRS which was primarily related to temporary differences associated with the Company's inventory costing methodology. As a result of the settlement, the Company recorded a \$0.4 million discrete benefit during the six months ended June 30, 2009. The effective tax rate for the six months ended June 30, 2009 and 2008 were 46.4% and 42.9%, respectively. The increase in the effective tax rate was the result of the \$0.6 million benefit from favorable discrete items recorded in the first quarter offset, in part, by the impact of reduced earnings of the joint venture.

Equity in losses of the Company's joint venture, Kreher Steel, was \$0.2 million for the six months ended 2009, compared to equity in earnings of \$4.7 million for the same period last year. The decline is a result of weaker demand for Kreher's products compared to the same period last year.

Consolidated net loss for the first half of 2009 was \$5.0 million, or \$0.22 per diluted share, versus net income of \$25.1 million, or \$1.11 per diluted share, for the same period in 2008.

### **Accounting Policies:**

Effective January 1, 2009, the Company adopted the following accounting policies:

- SFAS No. 141R, "Business Combinations"; and
- FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities".

Effective June 30, 2009, the Company adopted the following accounting policies:

- SFAS No. 165, "Subsequent Events"; and
- FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments."

See *Note 2* to the condensed consolidated financial statements for more information regarding the Company's adoption of the standards. There have been no changes in critical accounting policies from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

### **Liquidity and Capital Resources**

The Company's principal sources of liquidity are earnings from operations, management of working capital, and available borrowing capacity to fund working capital needs and growth initiatives.

Net cash from operating activities for the first six months of 2009 was \$16.5 million. Average

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receivable days outstanding was 56.9 days in the second quarter of 2009 as compared to an average of 51.8 days in the fourth quarter of 2008. Slower collections coupled with lower revenues accounted for the increase. Average days sales in inventory was 204.4 days in the second quarter of 2009 versus an average of 147.4 days for the fourth quarter of 2008, reflecting less than anticipated sales volume and the weakening global economy. The ongoing declining economy which is impacting the Company's markets may impede efforts to improve these turn rates this year.

Available revolving credit capacity is primarily used to fund working capital needs. Taking into consideration the most recent borrowing base calculation as of June 30, 2009, which reflects trade receivables, inventory, letters of credit and other outstanding secured indebtedness, available credit capacity consisted of the following:

Debt type	Outstanding Borrowings as of June 30, 2009	Availability as of June 30, 2009	Weighted Average Interest Rate for the six months ended June 30, 2009
U.S. Revolver A	\$16.8	\$52.1	1.87%
U.S. Revolver B	25.5	24.5	2.06%
Canadian facility	—	8.3	—
Trade acceptances	9.9	n/a	2.86%

Capital expenditures for the six months ended June 30, 2009 were \$4.9 million, a decrease of \$6.3 million compared to the six months ended June 30, 2008. In order to strengthen the Company's liquidity position, the routine capital expenditure budget has been reduced from the planned \$10 million to a total of \$5 million in 2009. Management previously established working capital goals to reduce inventory levels by \$100 million and net debt levels (total debt less cash and cash equivalents) by \$50 million by the end of 2009. The Company's current forecasts estimate that the inventory reduction will be approximately \$80 million if demand in the metals and plastics markets stabilizes during the second half of 2009. The inventory reduction target of \$100 million has been negatively impacted by declining markets and a weak global economy that were worse than anticipated when these goals were originally set. The net debt reduction goal of \$50 million is still anticipated to be achieved by the end of 2009.

The Company's principal payments on long-term debt, including the current portion of long-term debt, required during the next five years and thereafter are summarized below :

2009	\$ 10.9
2010	7.5
2011	7.9
2012	8.2
2013	34.1
2014 and beyond	18.6
Total debt	<u>\$ 87.2</u>

As of June 30, 2009, the Company remains in compliance with the covenants of its financing agreements, which require it to maintain certain funded debt-to-capital ratios, working capital- to-debt ratios and a minimum adjusted consolidated net worth as defined within the agreements.

In addition to its available borrowing capacity, management believes that, in the absence of

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significant unanticipated cash demands, the Company will be able to generate sufficient cash from operations and planned working capital improvements (principally from reduced inventories) to fund anticipated working capital needs and capital expenditure programs and meet its debt obligations.

Current economic conditions have caused significant disruption in the financial markets resulting in reduced availability of debt and equity capital in the U.S. market as a whole. These conditions could persist for a prolonged period of time. The Company currently does not anticipate having the need for raising additional equity or securing additional debt. However, our ability to access the capital markets may be restricted at a time when we would like to pursue those markets which could have an impact on our ability to react to changing economic and business conditions. In addition, the cost of debt financing and the proceeds of equity may be materially adversely impacted by these market conditions. Further, in the current volatile state of the credit markets, there is risk that lenders, even with strong balance sheets and sound lending practices, could fail or refuse to honor their legal commitments and obligations under existing credit commitments, including but not limited to: extending credit up to the maximum permitted by a credit facility, allowing access to additional credit features and otherwise accessing capital and/or honoring loan commitments.

As of June 30, 2009, the Company had \$6.4 million of irrevocable letters of credit outstanding, which primarily consisted of \$3.5 million in support of the outstanding industrial revenue bonds and \$1.9 million for compliance with the insurance reserve requirements of its workers' compensation insurance carrier.

### **Item 3. Quantitative and Qualitative Disclosure 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. There have been no significant or material changes to such risks since December 31, 2008. Refer to Item 7a in the Company's Annual Report on Form 10-K filed for the year ended December 31, 2008 for further discussion of such risks.

### **Item 4. Controls and Procedures**

#### **(a) Evaluation of Disclosure Controls and Procedures**

A review and evaluation was performed by the Company's management, including the Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this report.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in the Securities Exchange Act of 1934 rule 240.13a-15(f). The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

In its Annual Report on Form 10-K for the year ended December 31, 2008, the Company reported that, based upon their review and evaluation, the Company's disclosure controls and procedures were effective as of December 31, 2008.

As part of its evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report, and in

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accordance with the framework published by the Committee of Sponsoring Organizations of the Treadway Commission, referred to as the *Internal Control — Integrated Framework*, the Company's management has concluded that our internal control over financial reporting was effective as of the end of the period covered by this report.

### (b) Changes in Internal Controls

The Company is in the process of implementing a new ERP system. The planning for this system implementation began in 2006, and the first scheduled phase of the system implementation was completed at the Company's aerospace locations during the second quarter of 2008. The second scheduled phase of the implementation occurred during the first quarter of 2009 at the Company's Canadian locations. The third scheduled phase of the implementation occurred during the second quarter of 2009 at nine of the Company's domestic Metals business locations. To date, the facilities now on the new ERP system represent approximately 40% of the Company's consolidated net sales for the first half of 2009. Also, during the second quarter of 2009, the legacy financial systems were migrated to the new ERP system. This continued system conversion resulted in the modification of certain control procedures and processes to conform to the ERP system environment. The Company is continuing to evaluate the impact that the ERP system will have on certain of its internal controls and expects the new ERP system to enhance its control environment overall. The Company plans to continue to replace its legacy systems with the new ERP system functionality across most of its domestic locations and business operations during the remaining six months of 2009.

Except as described above, there were no significant changes in the Company's internal controls over financial reporting during the three months ended June 30, 2009 that were identified in connection with the evaluation referred to in paragraph (a) above that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Part II. OTHER INFORMATION

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Directors of the company who are not employees may elect to defer receipt of up to 100% of his or her cash retainer and meeting fees. A director who defers board compensation may select either an interest or a stock equivalent investment option for amounts in the director's deferred compensation account. Disbursement of the stock equivalent unit account may be in shares of Company common stock or in cash as designated by the director. If payment from the stock equivalent unit account is made in shares of the Company's common stock, the number of shares to be distributed will equal the number of full stock equivalent units held in the director's account. On April 24, 2009, receipt of approximately 424 shares was deferred as payment for the board compensation. The shares were acquired at a price of \$11.77 per share, which represented the closing price of the Company's common stock on the day as of which such fees would otherwise have been paid to the director. Exemption from registration of the shares is claimed by the company under Section 4(2) of the Securities Act of 1933, as amended.

### **Item 4. Submission of Matters to a Vote of Security Holders**

At the Company's Annual Meeting of the Stockholders on April 23, 2009 (the "Annual Meeting"), the following nominees were elected to the Board of Directors to serve a one year term expiring at the 2010 Annual Meeting of the Stockholders and until their successors are duly elected and qualified. There were no broker non-votes or abstentions with respect to this matter. The results of the voting for the election of directors were as follows:

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<b>Nominee</b>	<b>Votes For</b>	<b>Votes Withheld</b>
Brian P. Anderson	20,752,324	82,865
Thomas A. Donahoe	20,749,047	86,142
Ann M. Drake	20,709,643	125,545
Michael H. Goldberg	20,658,910	176,279
William K. Hall	18,619,090	2,216,099
Robert S. Hamada	20,607,604	227,584
Patrick J. Herbert, III	20,108,269	726,920
Terrence J. Keating	20,747,052	88,137
Pamela Forbes Lieberman	20,751,287	83,901
John McCartney	20,650,347	184,841
Michael Simpson	20,416,147	419,042

Accordingly, the nominees received a plurality of the votes cast in the election of the directors at the meeting and were elected.

A second proposal put before the Stockholders at the Annual Meeting was the ratification of the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009. There were no broker non-votes with respect to this matter. The results of the voting for the ratification of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009 were as follows:

<b>Votes For</b>	<b>Votes Against</b>	<b>Votes Abstained</b>
20,746,398	85,105	3,683

Accordingly, the number of affirmative votes cast on the proposal constituted more than a majority of the votes cast on the proposal at the Annual Meeting and the proposal was approved.

A third proposal put before the Stockholders at the Annual Meeting was the approval of the material terms of the performance measurements set forth in the Company's 2008 Restricted Stock, Stock Option and Equity Compensation Plan. The results of voting for the approval of the material terms of the performance measurements set forth in the Company's 2008 Restricted Stock, Stock Option and Equity Compensation Plan were as follows:

<b>Votes For</b>	<b>Votes Against</b>	<b>Votes Abstained</b>	<b>Broker Non-Votes</b>
18,465,134	979,991	174,136	1,215,926

Accordingly, the number of affirmative votes cast on the proposal constituted more than a majority of the votes cast on the proposal at the Annual Meeting and the proposal was approved.

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### Item 6. Exhibits

Exhibit No.	Description
3.2	By-Laws of the Company, as amended on July 23, 2009
3.3	Articles Supplementary of the Company. Filed as Exhibit 3.3 to Form 8-K filed July 29, 2009. Commission File No. 1-5415.
10.16*	Form of A.M. Castle & Co. Indemnification Agreement to be executed with all directors and executive officers. Filed as Exhibit 10.16 to Form 8-K filed July 29, 2009. Commission File No. 1-5415.
10.17*	First Amendment to the A.M. Castle & Co. Supplemental 410(k) Savings and Retirement Plan, executed April 15, 2009 (as effective April 27, 2009). Filed as Exhibit 10.1 to Form 8-K filed April 16, 2009. Commission File No. 1-5415.
10.18*	Form of Non-Employee Director Restricted Stock Award Agreement. Filed as Exhibit 10.1 to Form 8-K filed April 27, 2009. Commission File No. 1-5415.
10.19*	Board of Directors resolutions adopted July 23, 2009, approving changes to the Company's non-employee director compensation program. Please refer to the Item 1.01 of Form 8-K filed July 29, 2009 for further information regarding the Company's non employee director annual compensation program. Commission File No. 1-5415.
31.1	CEO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1	CEO and CFO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002

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\* Indicates a management contract or compensatory plan or arrangement required to be filed or incorporated by reference as an exhibit to this report.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

A. M. Castle & Co.  
\_\_\_\_\_  
(Registrant)

Date: July 30, 2009

By: /s/ Patrick R. Anderson  
Patrick R. Anderson  
Vice President – Controller and Chief  
Accounting Officer

(Mr. Anderson has been authorized to sign  
on behalf of the Registrant.)

Exhibit Index

Page

The following exhibits are filed herewith or incorporated by reference:

3.2	By-Laws of the Company, as amended on July 23, 2009	E-1
3.3	Articles Supplementary of the Company. Filed as Exhibit 3.3 to Form 8-K filed July 29, 2009. Commission File No. 1-5415.	
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31.1	CEO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002	E-15
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002	E-16

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<u>Exhibit Index</u>	<u>Page</u>
32.1 CEO and CFO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002	E-17

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\* Indicates a management contract or compensatory plan or arrangement required to be filed or incorporated by reference as an exhibit to this report.

**BY-LAWS  
OF  
A. M. CASTLE & CO.  
As amended on July 23, 2009**

**ARTICLE I  
OFFICES**

Section 1. The principal office of the corporation shall be at such place or places as the Board of Directors may from time to time determine.

Section 2. The corporation may also have offices at such other places both within and without the State of Maryland as the Board of Directors may from time to time determine or the business of the corporation may require.

**ARTICLE II  
MEETINGS OF STOCKHOLDERS**

Section 1. All meetings of the stockholders for the election of directors shall be held at the office of the corporation at 3400 North Wolf Road, Franklin Park, Illinois or such other place as the Board of Directors may from time to time determine. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Maryland, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of stockholders shall be held on the fourth Thursday of April, if not a legal holiday, and if a legal holiday, then on the next succeeding business day, at 10:00 a.m., at which time the stockholders shall elect by a plurality vote a Board of Directors, and transact such other business as may be properly brought before the meeting.

Section 3. Written notice of the annual meeting, stating the time and place thereof, shall be given to each stockholder entitled to vote thereat, and to each stockholder not entitled to vote thereat who is entitled to notice thereof, at least 10 days and not more than 90 days before the date of the meeting either by mail or by presenting it to such stockholder personally or by leaving it at his residence or usual place of business or by any other means authorized by Maryland law. If mailed, such notice shall be deemed to be given when deposited in the U.S. mail addressed to the stockholder at his post office address as it appears on the records of the corporation, with postage thereon prepaid.

Section 4. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the corporation's charter, may be called by the chairman of the board or the president and shall be called by the president or the secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting. Such request shall state the purpose or purposes of the proposed meeting. The secretary shall inform such stockholders of the reasonably estimated cost of preparing and mailing notice of the meeting and, upon payment to the corporation by such stockholders of such costs, the secretary shall give notice of the meeting as provided in Section 5. Unless requested by stockholders entitled to cast a majority of all the votes entitled to be cast at such meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any special meeting of the stockholders held

during the preceding twelve months.

Section 5. Written notice of a special meeting of stockholders, stating the time, place and purpose thereof, shall be given to each stockholder entitled to vote thereat, and to each stockholder not entitled to vote thereat who is entitled to notice thereof, at least 10 days and not more than 90 days before the date fixed for the meeting either by mail or by presenting it to such stockholder personally or by leaving it at his residence or usual place of business or by any other means authorized by Maryland law. If mailed, such notice shall be deemed to be given when deposited in the U.S. mail addressed to the stockholder at his post office address as it appears on the records of the corporation, with postage thereon prepaid.

Section 6. Any business of the corporation may be transacted at an annual meeting of stockholders without being specifically stated in the notice, except such business as is required by any statute to be stated in such notice. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 7. The holders of stock entitled to cast a majority of all the votes entitled to be cast thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the corporation's charter. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the chairman of the meeting or the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. When a quorum is present at any meeting, a plurality of the votes cast shall decide any election of directors and a majority of the votes cast shall decide any other question brought before such meeting, unless the question is one upon which by express provision of statute or of the corporation's charter a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 9. Except as otherwise provided in the corporation's charter, each stockholder shall, at every meeting of the stockholders, be entitled to one vote in person or by proxy for each share of the corporation's stock having voting power held by such stockholder. Any such proxy or evidence of other authorization to vote for a stockholder shall be filed with the secretary of the corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless the proxy provides for a longer period.

Section 10. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any action, such action may be taken without a meeting if all the stockholders entitled to vote upon the action shall consent in writing to such action being taken and all the stockholders entitled to notice of the meeting but not entitled to vote upon the action shall waive in writing any right to dissent.

Section 11. (a) (1) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record both at the time of giving of notice provided for in this Section 11 (a) and at the time of the annual meeting, who is entitled to vote at the meeting and who complied with the notice procedures set

forth in this Section 11(a).

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 11, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation and such other business must otherwise be a proper matter for action by stockholders. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the Corporation not later than the close of business on the 90<sup>th</sup> day nor earlier than the close of business on the 120<sup>th</sup> day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date or if the Corporation has not previously held an annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120<sup>th</sup> day prior to such annual meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of a postponement or adjournment of an annual meeting to a later date or time commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conduction such business at the meeting and any material interest in such business of such stockholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (y) the number of shares of each class of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 11 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 11 (a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who is a stockholder of record both at the time of giving

of notice provided for in this Section 11(b) and at the time of the special meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 11(b). In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be) for election to such position as specified in the Corporation's notice of meeting, if the stockholder's notice containing the information required by paragraph (a)(2) of this Section 11 shall be delivered to the secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120<sup>th</sup> day prior to such special meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of a postponement or adjournment of a special meeting to a later date or time commence a new time period for the giving of a stockholder's notice as described above.

(c) (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 11 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 11. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 11 and, if any proposed nomination or business is not in compliance with this Section 11, to declare that such nomination or proposal shall be disregarded.

(2) For purposes of this Section 11, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 11, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 11. Nothing in this Section 11 shall be deemed to affect any rights of stockholders to request inclusion of proposals in, nor any rights of the Corporation to omit a proposal from, the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

### **ARTICLE III DIRECTORS**

Section 1. Beginning at such time as the corporation has more than one stockholder, the number of directors which shall constitute the whole Board of Directors shall be 11. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Directors may increase or decrease the number of directors, provided that the number thereof shall never be less than the minimum number required by the Maryland General Corporation Law, and further provided that the tenure of office of a director shall not be affected by any decrease in the number of directors. The directors shall be elected at the annual meeting of stockholders, except as provided in Section 2 of this Article III, and each director elected shall hold office until his successor is elected and qualifies. Directors need not be stockholders.

Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, and the directors so chosen shall hold office until the next annual meeting of stockholders and until their successors are duly elected and qualify. Any Director or Directors may be removed from office at any time at a meeting called expressly for that purpose, but only by the affirmative vote of the holders of at least two-thirds of all the votes entitled to be cast by the stockholders generally in the election of Directors.

Section 3. The business of the corporation shall be managed by its Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the corporation's charter or by these by-laws expressly directed or required to be exercised or done by the stockholders.

#### MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Maryland.

Section 5. The annual meeting of each newly elected Board of Directors shall be held immediately after the adjournment of the annual meeting of stockholders and at the place where such annual meeting shall have been held, and no notice of such meeting shall be necessary to the newly elected directors.

Section 6. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors.

Section 7. Special meetings of the Board of Directors may be called by the chairman of the board or the president on two days' notice to each director, by mail, courier, facsimile or telegram. Special meetings shall be called by the president or secretary in like manner and on like notice on the written request of a director.

Section 8. At all meetings of the Board of Directors, a majority of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the corporation's charter. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Unless otherwise restricted by the corporation's charter or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if prior to such action a written consent thereto is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or such committee.

Section 10. At any meeting of the Board of Directors or any committee thereof at which all of the directors or members of the committee shall be present, any business may be transacted, regardless of whether such business falls within the purpose or purposes for which such meeting may have been called, and regardless of the fact that no notice whatever was given of the holding of such meeting.

Section 11. Members of the Board of Directors or any committee thereof may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

#### COMMITTEES OF DIRECTORS

Section 12. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one or more directors of the corporation, which, to the extent permitted by applicable law and provided in the resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation and may authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. At any meeting of a committee, a majority of the committee members shall constitute a quorum for the transaction of business and the act of a majority of the members of the committee present at any meeting at which there is a quorum shall be the act of the committee, except as may be otherwise specifically provided by statute or by the corporation's charter. If a quorum shall not be present at any meeting of a committee, the committee members present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 13. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

#### COMPENSATION OF DIRECTORS

Section 14. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors or any committee thereof and may be paid a fixed sum for attendance at each meeting of the Board of Directors or any committee thereof or receive stated compensation as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

Section 15. The Board of Directors may appoint such retired members of the Board of Directors to the nonvoting position of director emeritus and/or honorary chairman as it shall deem appropriate who shall thereafter hold their offices or agencies, as the case may be, for such term and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 16. Directors emeritus and honorary chairmen may be paid their expenses of attendance at such meetings of the Board of Directors or any committee thereof as they attend and such allowances or expenses as may be incurred while performing duties or responsibilities as directed by the Board of Directors.

#### ARTICLE IV NOTICES

Section 1. Notices to stockholders shall be in writing and delivered as provided in Article II of these by-laws. Notices to directors shall be in writing and delivered personally or by mail, facsimile, courier or telegram. Notice by mail shall be deemed to be given when deposited in the U.S. mail addressed to the person at his post office address as it appears on the records of the corporation, with postage thereon prepaid.

Section 2. Whenever any notice is required to be given under the provisions of any statute or of the corporation's charter or of these by-laws, a waiver thereof in writing, signed by the person or persons entitled to such notice either before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends solely for the express purpose of objecting to the transaction of any business at the meeting on the ground that meeting is not lawfully called or convened.

## **ARTICLE V OFFICERS**

Section 1. The officers of the corporation shall be elected by the Board of Directors and shall be a chairman of the board, a president, one or more vice presidents, a secretary, a treasurer, a controller and, if deemed advisable by the Board of Directors, a secretary-legal counsel. Two or more offices except president and vice president may be held by the same person except that where the offices of president and secretary are held by the same person, such person shall not hold any other office.

Section 2. The Board of Directors, at its first meeting after each annual meeting of stockholders, shall elect a chairman of the board, a president, one or more vice presidents, a secretary, a treasurer, a controller and, if it deems advisable, an assistant secretary/law.

Section 3. The Board of Directors may appoint such other officers, including, without limitation, one or more assistant secretaries, assistant secretaries, assistant treasurers, assistant controllers and such agents as it shall deem necessary who shall hold their offices or agencies, as the case may be, for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 4. The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors and no officer shall be prevented from receiving such salary or other compensation by reason of the fact that he is also a director.

Section 5. The officers of the corporation shall hold office until their successors are chosen and qualify or until their death, resignation or removal. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors then in office. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

### **THE CHAIRMAN OF THE BOARD**

Section 6. The chairman of the board shall preside at all meetings of the Board of Directors and shall have such other duties and powers as may be assigned to him by the Board of Directors from time to time.

### **THE PRESIDENT**

Section 7. The president shall be the chief executive officer of the corporation and shall exercise general supervision over the business and fiscal affairs and policy of the corporation, and shall have such other duties and powers as may be assigned to him by the Board of Directors from time to time. He shall preside at all meetings of the stockholders and, in the absence, death or other

inability to act of the chairman of the board, he shall have and exercise the powers and duties of the chairman of the board

#### THE VICE-PRESIDENTS

Section 8. The vice-president, or if there is more than one, the vice-presidents, in the order determined by the Board of Directors, shall, in the absence or disability of the president, perform the duties and exercise the powers of the president and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

#### THE SECRETARY AND ASSISTANT SECRETARIES

Section 9. The secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the committees thereof when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the chairman of the board or the president, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it, and when so affixed it may be attested by his signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 10. The assistant secretary, or if there is more than one, the assistant secretaries, in the order determined by the Board of Directors, shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 11. The assistant secretary shall, in addition to the duties of assistant secretary described above, give legal advice and assistance as called upon to do so by any officer of the corporation and shall generally oversee and supervise the legal affairs of the corporation as the Board of Directors may from time to time prescribe.

#### THE TREASURER AND ASSISTANT TREASURERS

Section 12. The treasurer shall have the custody of the corporate funds and securities and shall deposit all monies and other valuable effects in the name and to the credit of the corporation, in such depositories as may be designated by the Board of Directors; he shall review the disbursement of funds of the corporation in the manner specified by the Board of Directors, making certain that there are proper vouchers supporting such disbursements, and shall render to the chairman of the board, the president and the Board of Directors, whenever required, an accurate account of all his transactions as treasurer; he shall give the corporation a bond, if required by the Board of Directors, in a sum and with one or more sureties satisfactory to the Board of Directors, for the faithful performance of the duties of his office and for the restoration to this corporation in case of his death, resignation, retirement or removal from office, of all papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 13. In the absence or disability of the treasurer, the duties and powers of the treasurer shall be performed and exercised by such assistant treasurer elected or appointed by the Board of Directors as shall be determined by the Board of Directors.

## THE CONTROLLER AND ASSISTANT CONTROLLERS

Section 14. The controller shall have the custody of the books and accounting records belonging to the corporation; he shall disburse the funds of the corporation in the manner specified by the Board of Directors, preparing proper vouchers for such disbursements and shall render to the chairman of the board, the president and to the Board of Directors, whenever required, an accurate account of all his transactions as controller and a statement of the financial condition of the corporation; he shall give the corporation a bond, if required by the Board of Directors, in a sum and with one or more sureties satisfactory to the Board of Directors, for the faithful performance of the duties of his office and for the restoration to the corporation, in the case of his death, resignation, retirement or removal from office, of all books, papers, vouchers and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 15. In the absence or disability of the controller, the duties and powers of the controller shall be performed and exercised by such assistant controller elected or appointed by the Board of Directors as shall be determined by the Board of Directors.

## ARTICLE VI

### CERTIFICATES OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the chairman of the board or the president or a vice-president and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares of each class of stock owned by him in the corporation.

Section 2. If a certificate is countersigned (a) by a transfer agent other than the corporation or its employee or (b) by a registrar other than the corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates shall cease to be such officer or officers of the corporation, whether because of death, resignation or otherwise, before such certificate or certificates have been delivered by the corporation, such certificate or certificates may nevertheless be adopted by the corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the corporation.

### LOST CERTIFICATES

Section 3. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

## TRANSFERS OF STOCK

Section 4. Upon surrender to the corporation or any transfer agent of the corporation of a certificate for stock duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 5. Notwithstanding the foregoing, transfers of shares of stock shall be subject in all respects to the corporation's charter.

## CLOSING OF TRANSFER BOOKS; RECORD DATES

Section 6. The Board of Directors may close the stock transfer books of the corporation for a period not more than 20 days, and not less than 10 days, preceding the date of any meeting of stockholders or for a period not more than 20 days preceding the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of stock shall go into effect or in connection with obtaining the consent of stockholders for any purpose.

Section 7. In lieu of closing the stock transfer books as described above, the Board of Directors may fix in advance a date, not more than 90 days, and not less than 10 days, preceding the date of any meeting of stockholders, and not more than 90 days preceding the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of stock shall go into effect or in connection with obtaining the consent of stockholders for any purpose, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed, shall be entitled to such notice of, and to vote at, such meeting and any adjournments thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as described above.

Section 8. If no record date is fixed and the stock transfer books are not closed for the determination of stockholders, (a) the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the day on which the notice of meeting is mailed or the 30<sup>th</sup> day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of stockholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the directors declaring the dividend or allotment of rights is adopted.

Section 9. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when (a) the determination has been made through the closing of the transfer books and the stated period of closing has expired or (b) the meeting is adjourned to a date more than 120 days after the record date fixed for the original meeting, in either of which cases a new record date shall be determined as set forth herein.

## REGISTERED STOCKHOLDERS

Section 10. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of any share of stock to receive dividends, and to vote as such

owner, and shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland.

## **ARTICLE VII GENERAL PROVISIONS**

### **DIVIDENDS**

Section 1. Dividends and other distributions upon the stock of the corporation, subject to any provisions of any statute and the corporation's charter, may be authorized and declared by the Board of Directors at any regular or special meeting. Dividends and other distributions may be paid in cash, in property, or in shares of stock of the corporation, subject to the provisions of any statute and the corporation's charter.

### **CORPORATE OBLIGATIONS**

Section 2. All contracts, deeds, mortgages, leases or instruments shall be signed by the chairman of the board or by the president (or, in their absence or inability to act, by such officers as may be designated by the Board of Directors) and by the secretary or an assistant secretary; provided, however, that the Board of Directors may authorize any other officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of, and on behalf of, the corporation, and such authority may be general or confined to specific instances.

Section 3. All checks, drafts or other orders for the payment of money, bonds, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers or agent or agents of the corporation, and in such manner, as shall from time to time be determined by resolution of the Board of Directors.

### **FISCAL YEAR**

Section 4. The fiscal year of the corporation shall begin on the first day of January in each year.

### **SEAL**

Section 5. The corporate seal shall have inscribed thereon the name of the corporation, the year of its incorporation and the words "Incorporated Maryland." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. Whenever the corporation is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(SEAL)" adjacent to the signature of the person authorized to execute the document on behalf of the corporation.

## **ARTICLE VIII INDEMNIFICATION**

Section 1. Any person who is a present or former director, officer or employee of the corporation and who is made a party to any proceeding (which term shall include any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative) by reason of such person's service in such capacity or as a director, officer, partner, trustee or employee of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which he served as such at the request of the corporation shall (to the fullest

extent permitted by Maryland law in effect from time to time) be indemnified by the corporation against all judgments, penalties, fines, settlements and reasonable expenses actually incurred by him in connection with such proceeding, unless it shall be established that (a) the act or omission of such person was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty or (b) such person actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, such person had reasonable cause to believe that the act or omission was unlawful. The corporation may, with the approval of the Board of Directors, provide such indemnification to a person who served a predecessor of the corporation in any of the capacities described above and to any agent of the corporation or a predecessor of the corporation.

Section 2. Except as provided in Section 1 above, the termination of any proceeding by judgment, order or settlement shall not create a presumption that a director, officer or employee did not meet the applicable standard of conduct. The termination of any proceeding by conviction or upon a plea of *nolo contendere* or its equivalent shall create a rebuttable presumption that a director, officer or employee did not meet the applicable standard of conduct.

Section 3. Except where a person has been successful, on the merits or otherwise, in the defense of any proceeding described above, any indemnification hereunder shall be made only after: (a) the Board of Directors (acting by a majority vote of a quorum consisting of directors not, at the time, parties to such proceeding or, if such a quorum cannot be obtained, then by a majority vote of a duly designated committee of the board consisting solely of two or more directors not, at the time, parties to such proceeding) determines that such person has met the applicable standard of conduct; (b) special legal counsel (selected by the Board of Directors or a committee of the board by vote as set forth in clause (a) or as otherwise permitted by Maryland law) determines that such person has met such standard of conduct; or (c) the stockholders determine that such person has met such standard of conduct.

Section 4. Reasonable expenses incurred by a person who is a party to a proceeding may be paid or reimbursed by the corporation in advance of the final disposition of the proceeding upon receipt by the corporation of: (a) a written affirmation by the person of the person's good faith belief that the standard of conduct has been met; and (b) a written undertaking by or on behalf of the person to repay the amount if it is ultimately determined that the standard of conduct has not been met.

Section 5. The indemnification and advancement of expenses provided or authorized hereunder shall not be deemed exclusive of any other rights to which any person may be entitled under the corporation's charter, these by-laws, a resolution of stockholders or directors, an agreement or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. Indemnification provided hereunder shall, in the case of death of a director, officer or employee, inure to the benefit of his heirs, executors or other lawful representatives.

Section 6. Neither the amendment nor the repeal of this Article, nor the adoption or amendment of any other provisions of these by-laws or of the corporation's charter inconsistent with this Article, shall apply to or affect in any respect the applicability of this Article with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

## **ARTICLE IX AMENDMENTS**

Section I . The Board of Directors shall have the exclusive power to make, alter or repeal

these by-laws. These by-laws may be altered or repealed at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors if notice of such alteration or repeal is contained in the notice of such special meeting.

**RESOLUTIONS OF  
THE BOARD OF DIRECTORS**

**Amendments to Non-employee Director Compensation Program**

RESOLVED, that the non-employee director compensation program be amended as follows:

- (i) The additional annual retainer for the audit committee chair shall be increased to \$10,000 effective July 1, 2009;
- (ii) All board and committee meeting fees shall be eliminated retroactive to June 15, 2009;
- (iii) The total annual cash retainer for each non-employee director shall be increased to \$50,000, effective as of July 1, 2009 (except that the Board chair total annual retainer shall remain \$80,000); and

FURTHER RESOLVED, that the total annual cash retainer for each director be temporarily reduced by \$10,000, effective July 1, 2009, subject to semi-annual review until such time as the reduction is no longer deemed necessary by the Board.

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael H. Goldberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of A. M. Castle & Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)] for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: July 30, 2009

/s/ Michael H. Goldberg

Michael H. Goldberg  
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott F. Stephens certify that:

1. I have reviewed this quarterly report on Form 10-Q of A. M. Castle & Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)] for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: July 30, 2009

/s/ Scott F. Stephens

Scott F. Stephens  
Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of A. M. Castle & Co. (the "Company") on Form 10-Q for the period ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael H. Goldberg, President and Chief Executive Officer (Principal Executive Officer) and Scott F. Stephens, Vice President and Chief Financial Officer (Principal Financial Officer) of the Company, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Michael H. Goldberg

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Michael H. Goldberg  
President and Chief Executive Officer  
July 30, 2009

/s/ Scott F. Stephens

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Scott F. Stephens  
Vice President and Chief Financial Officer  
July 30, 2009

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. This certification shall also not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference.