

METALS USA INC
Form DEFM14A
September 14, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934, as amended

Filed by the Registrant

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METALS USA, INC.

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

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- .. No fee required.
- .. Fee computed below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock, par value \$.01 per share, of Metals USA, Inc. (MUSA Common Stock)

(2) Aggregate number of securities to which transaction applies:

20,282,790 shares of Metals USA common stock

45,437 unvested rights to receive shares of Metals USA common stock

1,081,270 options to purchase shares of Metals USA common stock

3,556,703 warrants to purchase shares of Metals USA common stock

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11. (Set forth the amount on which the filing fee is calculated and state how it was determined):

\$22.00 per share of Metals USA common stock, warrants and unvested rights to receive shares of Metals USA common stock

\$22.00 minus the weighted average exercise price of outstanding options of \$9.42 per share

(4) Proposed maximum aggregate value of transaction:

\$539,075,835.66

(5) Total fee paid:

\$63,449.23*

* Fee is .0001177 of transaction value

x Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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Metals USA, Inc.

One Riverway, Suite 1100, Houston, Texas 77056

September 14, 2005

To our Stockholders:

You are cordially invited to attend a special meeting of the stockholders of Metals USA, Inc., which will be held on Wednesday, October 19, 2005, beginning at 10:00 a.m., EDT, at the offices of Akin Gump Strauss Hauer & Feld LLP, 590 Madison Avenue, 20th Floor, New York, New York.

On May 18, 2005, the board of directors of Metals USA approved a merger agreement, dated May 18, 2005, by and among the Company, Flag Holdings Corporation and Flag Acquisition Corporation, a wholly owned subsidiary of Flag Holdings, providing for the merger of Flag Acquisition with and into Metals USA, with Metals USA as the surviving corporation in the merger. If the merger is completed, you will be entitled to receive \$22.00 in cash, without interest, for each share of Metals USA's common stock you own, unless you have properly exercised your appraisal rights.

Following completion of the merger, Metals USA will continue its operations as a privately-held company, wholly-owned by Flag Holdings. Flag Holdings is a newly-formed corporation that is owned by affiliates of Apollo Management V, L.P. Certain members of Metals USA's management, including myself, have agreed to invest in equity securities of Flag Holdings upon completion of the merger.

At the special meeting, you will be asked to adopt the merger agreement. The board of directors has approved and declared the merger and the merger agreement advisable, and has declared that it is fair to and in the best interests of Metals USA and its stockholders (other than certain members of Metals USA's management who will invest in equity securities of the surviving corporation or Flag Holdings). The board of directors recommends that Metals USA's stockholders vote **FOR** the adoption of the merger agreement.

Voting in favor of the merger will have the effect of taking Metals USA private, and as a result you will no longer hold any ownership interests in the surviving corporation, you will not participate in any future earnings or growth of Metals USA and you will not benefit from any appreciation in value of Metals USA.

The proxy statement attached to this letter provides you with information about the proposed merger and the special meeting. We encourage you to read the entire proxy statement carefully. You may also obtain more information about Metals USA from documents we have filed with the Securities and Exchange Commission.

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Your vote is very important. The merger cannot be completed unless the merger agreement is adopted by the affirmative vote of the holders of a majority of the outstanding shares of Metals USA common stock. If you fail to vote on the merger agreement, the effect will be the same as a vote against the adoption of the merger agreement for purposes of the vote referred to above.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE YOUR SHARES BY INTERNET, TELEPHONE OR MAIL. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOU OWN SHARES THAT ARE REGISTERED DIFFERENTLY, PLEASE VOTE ALL OF YOUR SHARES SHOWN ON ALL OF YOUR PROXY CARDS.

Voting by proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting.

Thank you for your cooperation and continued support.

Sincerely,

C. Lourenco Goncalves
Chief Executive Officer and President

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

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THIS PROXY STATEMENT IS DATED SEPTEMBER 14, 2005

AND IS FIRST BEING MAILED TO STOCKHOLDERS ON OR ABOUT SEPTEMBER 16, 2005.

Metals USA, Inc.

One Riverway, Suite 1100 Houston, Texas 77056

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS TO BE HELD WEDNESDAY, OCTOBER 19, 2005

TO THE STOCKHOLDERS:

The special meeting of stockholders of Metals USA, Inc., a Delaware corporation ("Metals USA" or the "Company"), will be held on Wednesday, October 19, 2005, at 10:00 a.m., EDT, at the offices of Akin Gump Strauss Hauer & Feld LLP, 590 Madison Avenue, 20th Floor, New York, New York, for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of May 18, 2005, by and among Metals USA, Flag Holdings Corporation, a Delaware corporation, and Flag Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of Flag Holdings, pursuant to which, upon the merger becoming effective, each share of Common Stock, par value \$0.01 per share, of Metals USA (other than shares owned by Metals USA, Flag Acquisition or Flag Holdings or any of their respective direct or indirect wholly owned subsidiaries or held by stockholders who are entitled to and who properly exercise appraisal rights in compliance with all of the required procedures under Delaware law) will be converted into the right to receive \$22.00 in cash, without interest.
2. To approve the adjournment or postponement of the meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the Agreement and Plan of Merger.
3. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

Only holders of Metals USA's common stock at the close of business on September 13, 2005 are entitled to notice of the meeting and to vote at the meeting.

You are cordially invited to attend the meeting in person.

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Your vote is important, regardless of the number of shares of Metals USA's common stock you own. The adoption of the merger agreement requires the approval of the holders of a majority of the outstanding shares of Metals USA's common stock entitled to vote thereon. The proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the shares present and entitled to vote.

If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote in favor of the adoption of the merger agreement, and in favor of the proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies. If you fail to return your proxy card, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the meeting and will instruct a proxy to have the same effect as a vote against the adoption of the merger agreement, but will not affect the outcome of the vote regarding the adjournment or postponement of the meeting, if necessary or appropriate, to solicit additional proxies. Alternatively, you may vote your shares over the Internet or by telephone, as indicated on the proxy card. If you are a stockholder of record and do attend the meeting and wish to vote in person, you may withdraw your proxy and vote in person.

Stockholders of Metals USA who do not vote in favor of the adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares if the merger is completed, but only if they submit a written demand for appraisal to Metals USA before the vote is taken on the merger agreement and they comply with all requirements of Delaware law, which are summarized in the accompanying proxy statement.

By Order of the Board of Directors,

John A. Hageman
Secretary

September 14, 2005

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ANNEX A	Agreement and Plan of Merger, dated as of May 18, 2005, by and among Metals USA, Inc., Flag Holdings Corporation, and Flag Acquisition Corporation
ANNEX B	Opinion of Jefferies & Company, Inc.
ANNEX C	Section 262 of the General Corporation Law of the State of Delaware
ANNEX D	Support Agreement, dated as of May 18, 2005, by and among Flag Holdings Corporation, Citadel Equity Fund Ltd. and Citadel Credit Trading Ltd.

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SUMMARY

The following summary highlights selected information from this proxy statement. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions in the section entitled "Where You Can Find Additional Information." Each item in this summary includes a page reference directing you to a more complete description of that item in this document.

Unless we otherwise indicate or unless the context requires otherwise, all references in this document to "Metals USA," "Company," "we," "our," and "us" refer to Metals USA, Inc. and its subsidiaries, all references to "merger agreement" refer to the Agreement and Plan of Merger, dated May 18, 2005, by and among the Company, Parent and Merger Sub, a copy of which is attached as Annex A to this document, and all references to "the merger" refer to the merger contemplated by the merger agreement.

Summary Term Sheet

The Parties to the Merger. Metals USA is a leading provider of value-added processed steel, stainless steel, aluminum, red metals and manufactured metal components. Flag Acquisition Corporation, which we refer to as Merger Sub, is a Delaware corporation formed on May 9, 2005 for the sole purpose of completing the merger with the Company and arranging the related financing transactions. Merger Sub is a wholly owned subsidiary of Flag Holdings Corporation, a Delaware corporation. Flag Holdings Corporation, which we refer to as Parent, is a Delaware corporation formed on May 9, 2005 for the sole purpose of completing the merger with the Company and arranging the related financing transactions. Parent is wholly owned by certain private equity funds, which we refer to in this document as the Apollo Funds. The Apollo Funds are managed by Apollo Management V, L.P., which we refer to in this document as Apollo. We refer to the Apollo Funds and Apollo, collectively with their general partners and the directors and principal executive officers of their general partners as the Apollo Affiliates. The Apollo Funds have the right to transfer their interests in Parent. As a result, Parent may ultimately include additional equity participants. Parent has not engaged in any business except in anticipation of the merger. See "The Parties to the Merger" beginning on page 63.

The Merger Agreement. You are being asked to vote to adopt a merger agreement providing for the acquisition of the Company by Parent, pursuant to which Merger Sub, a wholly-owned subsidiary of Parent, will be merged with and into the Company, with the Company as the surviving corporation in the merger. See "The Merger Agreement (Proposal No. 1)" beginning on page 66.

Timing and Likelihood of Closing. We are working toward completing the merger as quickly as possible, and we anticipate that it will be completed in the fourth quarter of 2005, assuming satisfaction or waiver of all of the conditions to the merger. However, because the merger is subject to certain conditions, the exact timing of the merger and the likelihood of the consummation thereof cannot be predicted. In particular, we currently are uncertain regarding whether the debt financing condition will be satisfied. See "Special Factors—Financing by Parent of Merger and Related Transactions—Conditions Precedent to the Debt Commitment" beginning on page 43. If any of the conditions in the merger agreement (including the debt financing condition) are not satisfied, the merger transaction may terminate as a result.

Merger Consideration. Upon completion of the merger, you will be entitled to receive \$22.00 in cash, without interest, for each share of our common stock that you own. See "Special Factors—Opinion of Jefferies & Company, Inc.—Transaction Overview" on page 28. Holders of the Company's stock options, warrants and rights to receive additional shares of Metals USA will also be entitled to receive the merger consideration less their respective exercise prices and applicable withholding taxes. See "The Merger Agreement (Proposal No. 1)—Treatment of Stock Options, Warrants and Rights to Receive Shares of Metals USA Common Stock" beginning on page 66.

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Board Recommendation. Our board of directors by unanimous vote (excluding C. Lourenco Goncalves, who abstained) recommends that Metals USA's stockholders vote FOR the adoption of the merger agreement. See Special Factors Recommendation of the Company's Board of Directors on page 25.

Opinion of Jefferies & Company, Inc. In connection with the merger, Metals USA's board of directors received a written opinion from Jefferies & Company, Inc. as to the fairness, from a financial point of view, to holders of Metals USA common stock of the merger consideration to be received by such holders pursuant to the merger agreement, other than Parent and its affiliates and other than any members of Metals USA's management who may be given the opportunity to obtain equity interests in Parent or the surviving corporation from and after consummation of the merger. The full text of the Jefferies opinion dated May 18, 2005, is attached to this proxy statement as Annex B. Metals USA and its board of directors encourage stockholders to read the Jefferies opinion carefully and in its entirety. The Jefferies opinion was provided to Metals USA's board of directors in connection with its consideration of the merger consideration, does not address any other aspect of the proposed merger and does not constitute a recommendation as to how any stockholder should vote on the merger or any matter relevant to the merger agreement. See Special Factors Opinion of Jefferies & Company, Inc. beginning on page 25 and Annex B.

Affiliates Engaged in the Merger. Under a potential interpretation of the Securities Exchange Act of 1934 rules governing going private transactions, each of C. Lourenco Goncalves, our chief executive officer, Terry L. Freeman, our chief financial officer, and John A. Hageman, our chief legal officer and secretary, Merger Sub, Parent, Apollo and the Apollo Affiliates may be deemed to be an affiliate of Metals USA. Each of Messrs. Goncalves, Freeman and Hageman, Merger Sub, Parent, Apollo and the Apollo Affiliates believes that the merger agreement and the merger are substantively and procedurally fair to the stockholders of Metals USA (other than certain members of the Company's management who will invest in equity securities of the surviving corporation or Parent). None of Messrs. Goncalves, Freeman and Hageman undertook a formal evaluation of the fairness of the merger or engaged a financial advisor for such purposes. None of Merger Sub, Parent, Apollo or the Apollo Affiliates participated in the deliberations of the Company's board of directors regarding, or received advice from the Company's legal or financial advisors as to, the substantive or procedural fairness of the merger, nor did Merger Sub, Parent, Apollo or the Apollo Affiliates undertake any independent evaluation of the fairness of the merger or engage a financial advisor for such purposes. See Special Factors Position of C. Lourenco Goncalves, Terry L. Freeman and John A. Hageman as to Fairness, on page 35 and Special Factors Position of Merger Sub, Parent, Apollo and the Apollo Affiliates as to Fairness on page 36.

Record Date and Voting Power. You are entitled to vote at the special meeting if you owned shares of Metals USA common stock at the close of business on September 13, 2005, the record date for the special meeting. Each outstanding share of our common stock on the record date entitles the holder to one vote on each matter submitted to stockholders for approval at the special meeting. As of the record date, there were 20,284,148 shares of common stock of Metals USA entitled to be voted. See The Special Meeting Record Date, Quorum and Voting Power on page 64.

Stockholder Vote Required to Adopt the Merger Agreement. For us to complete the merger, stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote FOR the adoption of the merger agreement. See The Special Meeting Required Vote on page 64.

Share Ownership of Directors and Executive Officers. As of September 13, 2005, the record date for the special meeting, the directors and executive officers of Metals USA held and are entitled to vote, in the aggregate, 131,679 shares of our common stock, representing less than 1.0% of the outstanding shares of our common stock. Our directors, holding an aggregate of approximately 70,000 shares, or less than 1.0% of the outstanding shares, of our common stock, and Messrs. Freeman and Hageman, holding 30,745 and 19,204, or less than 1.0% of the outstanding shares, of our common stock, respectively, have

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informed the Company that they intend to vote all of their shares of our common stock **FOR** the adoption of the merger agreement. See **The Special Meeting Voting by Directors and Executive Officers** on page 64.

Material U.S. Federal Income Tax Consequences. The merger will be a taxable transaction to you if you are a U.S. holder (as defined in **Special Factors Material U.S. Federal Income Tax Consequences**). Your receipt of cash in exchange for your shares of Metals USA common stock generally will cause you to recognize a gain or loss measured by the difference, if any, between the cash you receive in the merger and your adjusted tax basis in your shares of Metals USA common stock. Under U.S. federal income tax law, you may be subject to information reporting on cash received in the merger unless an exemption applies. Backup withholding (currently at a rate of 28%) may also apply with respect to the amount of cash received in the merger, unless you provide proof of an applicable exemption or a correct taxpayer identification number, and otherwise comply with the applicable requirements of the backup withholding rules. Holders of our common stock that are not U.S. holders may have different tax consequences than those described with respect to U.S. holders and are urged to consult their tax advisors regarding the tax treatment to them under U.S. and non-U.S. tax laws. You should also consult your tax advisor on the tax consequences of the merger to you, including the federal, state, local and/or non-U.S. tax consequences of the merger. See **Special Factors Material U.S. Federal Income Tax Consequences** beginning on page 57.

Dissenters Rights of Appraisal. Delaware law provides you, as a stockholder, with appraisal rights in the merger. This means that you are entitled to have the value of your shares determined by the Delaware Court of Chancery and to receive payment based on that valuation. The ultimate amount you receive as a dissenting stockholder in an appraisal proceeding may be more or less than, or the same as, the amount you would have received under the merger agreement. To exercise your appraisal rights, you must submit a written demand for appraisal to the Company before the vote is taken on the merger agreement and you must not vote in favor of the adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. See **Dissenters Rights of Appraisal** beginning on page 86 and Annex C Section 262 of the Delaware General Corporation Law.

Questions and Answers about the Special Meeting and the Merger

Q: When and where is the special meeting?

A: The special meeting of Metals USA stockholders will be held at 10:00 a.m., EDT, on Wednesday, October 19, 2005, at the offices of Akin Gump Strauss Hauer & Feld LLP, 590 Madison Avenue, 20th Floor, New York, New York.

Q: What matters will I vote on at the special meeting?

A: You will vote:

for or against the Agreement and Plan of Merger, dated as of May 18, 2005 (referred to in this document as the merger agreement), among the Company, Flag Holdings Corporation and Flag Acquisition Corporation;

to approve the adjournment or postponement of the meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement; and

to transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

Q: How does Metals USA's board of directors recommend that I vote on the proposals?

A: Our board of directors recommends that you vote:

FOR the proposal to adopt the merger agreement; and

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FOR adjournment or postponement of the meeting, if necessary or appropriate, to solicit additional proxies.

Q: What vote of stockholders is required to adopt the merger agreement?

A: Stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote FOR the adoption of the merger agreement for us to complete the merger.

Q: What vote of stockholders is required to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies at the special meeting?

A: The proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the shares present and entitled to vote.

Q: Who is entitled to vote?

A: Stockholders as of the close of business on September 13, 2005, the record date for this solicitation, are entitled to receive notice of and to vote at the special meeting. On the record date, approximately 20,284,148 shares of our common stock, held by approximately 1,519 stockholders of record, were outstanding and entitled to vote. You may vote all shares you owned as of the record date. You are entitled to one vote per share.

Q: What does it mean if I get more than one proxy card?

A: If you have shares of our common stock that are registered differently and are in more than one account, you will receive more than one proxy card. Please follow the directions for voting on each of the proxy cards you receive to ensure that all of your shares are voted.

Q: How do I vote without attending the special meeting?

A: If you hold shares in your name as the stockholder of record, then you received this proxy statement and a proxy card from us. If you hold shares in street name through a broker, bank or other nominee, then you received this proxy statement from the nominee, along with the nominee's form of proxy card which includes voting instructions. In either case, you may vote your shares by Internet, telephone or mail without attending the special meeting. To vote by Internet or telephone 24 hours a day, seven days a week, follow the instructions on the proxy card. To vote by mail, mark, sign and date the proxy card and return it in the postage-paid envelope provided.

Internet and telephone voting provide the same authority to vote your shares as if you returned your proxy card by mail. In addition, Internet and telephone voting will reduce our proxy-related postage expenses.

Q: How do I vote in person at the special meeting?

A: If you hold shares in your name as the stockholder of record, you may vote those shares in person at the meeting by giving us a signed proxy card or ballot before voting is closed. If you want to do that, please bring proof of identification with you. Even if you plan to attend the meeting, we recommend that you vote your shares in advance as described above, so your vote will be counted even if you later decide not to attend.

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If you hold shares in street name through a broker, bank or other nominee, you may vote those shares in person at the meeting only if you obtain and bring with you a signed proxy from the necessary nominees giving you the right to vote the shares. To do this, you should contact your nominee.

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Q: Can I change my vote?

A: After you vote your shares, whether by Internet, telephone or mail, you may change your vote at any time before voting is closed at the special meeting. If you hold shares in your name as the stockholder of record, you should write to our Secretary at our principal offices, One Riverway, Suite 1100, Houston, Texas 77056, stating that you want to revoke your proxy and that you need another proxy card. If you hold your shares in street name through a broker, bank or other nominee, you should contact the nominee and ask for a new proxy card. Alternatively, you may vote again by Internet or telephone. If you attend the special meeting, you may vote by ballot as described above, which will cancel your previous vote. Your last vote before voting is closed at the special meeting is the vote that will be counted.

Q: What is a quorum?

A: A quorum of the holders of the outstanding shares of our common stock must be present for the special meeting to be held. A quorum is present if the holders of a majority of the outstanding shares of our common stock entitled to vote are present at the meeting, either in person or represented by proxy. Abstentions and broker non-votes are counted as present for the purpose of determining whether a quorum is present.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Yes, but only if you provide instructions to your broker on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without those instructions, your shares will not be voted.

Q: How are votes counted?

A: For the proposal relating to the adoption of the merger agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not count as votes cast on the proposal relating to adoption of the merger agreement, but will count for the purpose of determining whether a quorum is present. Stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote FOR the adoption of the merger agreement for us to complete the merger. As a result, if you ABSTAIN, it has the same effect as if you vote AGAINST the adoption of the merger agreement.

For the proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not count as votes cast on the proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies, but will count for the purpose of determining whether a quorum is present. As a result, if you ABSTAIN, it has the same effect as if you vote AGAINST adjournment or postponement of the meeting, if necessary or appropriate, to solicit additional proxies.

If you sign your proxy card without indicating your vote, your shares will be voted FOR the adoption of the merger agreement, FOR adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies, and in accordance with the recommendations of Metals USA's board of directors on any other matters properly brought before the meeting for a vote.

A broker non-vote generally occurs when a broker, bank or other nominee holding shares on your behalf does not vote on a proposal because the nominee has not received your voting instructions and lacks discretionary power to vote the shares. Broker non-votes will not count as votes cast on a proposal, but will count for the purpose of determining whether a quorum is present. As a result, broker non-votes will have the same effect as a vote against the adoption of the merger agreement. Broker non-votes will also have the same effect as a vote against the adjournment or postponement of the meeting, if necessary or appropriate, to solicit additional proxies.

Q: Who will bear the cost of this solicitation?

A: We will pay the cost of this solicitation, which will be made primarily by mail. Proxies also may be solicited in person, or by telephone or facsimile, by our directors, officers or employees without additional

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compensation. We will, on request, reimburse stockholders who are brokers, banks or other nominees for their reasonable expenses in sending proxy materials and annual reports to the beneficial owners of the shares they hold of record.

Q: Should I send in my stock certificates now?

A: No. Shortly after the merger is completed, you will receive a letter of transmittal with instructions informing you how to send your stock certificates to the paying agent in order to receive the merger consideration, without interest. You should use the letter of transmittal to exchange Metals USA stock certificates for the merger consideration to which you are entitled as a result of the merger. **DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.**

Q: Who can help answer my other questions?

A: If you have more questions about the special meeting or the merger, you should contact Metals USA, Inc., Attention: Investor Relations, One Riverway, Suite 1100, Houston, Texas 77056, or by telephone at (713) 965-0990.

Financing by Parent of Merger and Related Transactions (Page 42)

Parent and Merger Sub estimate that the total amount of funds necessary to consummate the merger and related transactions will be approximately \$700 million, which will be funded by a new credit facility, either a private offering of debt securities and equity financing or a bridge loan facility and equity financing. Funding of the equity and debt financing is subject to the satisfaction of the conditions set forth in the commitment letters pursuant to which the financing will be provided, see *Special Factors Financing of the Merger*. The following arrangements are in place to provide the necessary financing for the merger, including the payment of related transaction costs, charges, fees and expenses:

Equity Financing (Page 42)

Parent has received an equity commitment letter from Apollo on behalf of the Apollo Funds, pursuant to which, subject to the conditions contained therein, Apollo has agreed to make or cause to be made a cash capital contribution to Parent of up to \$165 million.

Debt Financing (Page 43)

Merger Sub has received a debt commitment letter pursuant to which, subject to the conditions contained therein, (a) Credit Suisse, Cayman Islands Branch and Bank of America, N.A. severally committed to provide up to \$450 million in the aggregate of a senior secured asset-based revolving credit facility, and (b) Credit Suisse and CIBC World Markets Corp. (CIBC World Markets and, collectively with Credit Suisse and Bank of America, N.A., the debt providers) severally committed, if the Company is unable to issue at least \$250 million of senior secured floating rate notes and/or senior secured fixed rate notes in a public offering or in a Rule 144A or other private placement on or before the effective time of the merger, to provide at least \$250 million in the aggregate of senior secured increasing rate bridge loans.

The availability of the senior secured facility and the bridge facility are subject to the satisfaction of certain conditions, including other customary conditions for leveraged acquisition financings. Importantly, we are aware of two conditions to the debt commitment letter that may

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not be satisfied, and as such may provide the debt providers with the sole discretion to not provide either or both of the senior secured facility and the bridge facility.

The Company's Consolidated EBITDA. It is a condition to the financing under the debt commitment letter that the Company's consolidated earnings before interest, tax, depreciation and amortization (EBITDA) for the four-fiscal quarter period most recently ended before the effective time of the merger will be not less than \$146

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million if such four-fiscal quarter period ended on June 30, 2005 and \$117.5 million if such four-fiscal quarter period ended on September 30, 2005. The Company's consolidated EBITDA for the four-fiscal quarter period ended on June 30, 2005 was approximately \$146.3 million, exceeding the minimum required amount by approximately \$300,000. The Company's most recent forecast as of early July 2005 indicates that its EBITDA for the four-fiscal quarter period ended on September 30, 2005 will be approximately 2% to 3% below the minimum required amount under the debt commitment letter. If the effective time of the merger occurs after September 30, 2005 and the Company's actual EBITDA for the four-fiscal quarter period ended on September 30, 2005 fails to meet this \$117.5 million minimum required amount, the debt providers will not be obligated under the debt commitment letter to provide the financing.

The Company's Excess Borrowing Capacity. It is also a condition to the financing under the debt commitment letter that the Company have excess borrowing capacity under the new senior secured facility of at least \$75 million at the effective time of the merger. The debt commitment letter provides that the borrowing base under the senior secured facility at any time must equal the sum of (a) 90% of the net amount of eligible accounts receivable plus (b) the lesser of (i) 70% of the lesser of the original cost or market value of eligible inventory and (ii) the sum of (x) 90% of the net orderly liquidation value of the Company's flat rolled inventory plus (y) 85% of the net orderly liquidation value of all other inventory of the Company. Based on a preliminary valuation recently conducted by the debt providers' third party appraisers, the orderly liquidation value of the Company's inventory is projected to be approximately 12% less than originally anticipated. As a result, based on this preliminary valuation, the Company would have excess capacity less than the minimum amount required by the debt commitment letter. If such excess capacity with respect to the Company is less than \$75 million at the effective time of the merger, then the debt providers will not be obligated to provide the senior secured facility or the bridge facility.

If any portion of the debt financing under the debt commitment letter becomes unavailable, Parent will be required to use its reasonable best efforts to obtain alternative financing on substantially comparable or more favorable terms from other sources within 30 days after all of the other conditions to the merger agreement have been satisfied. If Parent is unable to obtain such alternative financing within such 30 day period, Parent will not be obligated to close the transaction because Parent's obligation under the merger agreement to close the transaction is conditioned upon Parent having obtained its debt financing or alternative debt financing. Accordingly, if the debt providers, in their sole discretion, do not waive any condition that is not otherwise satisfied, and Parent is unable to obtain alternative financing within the 30 day period as described above, Parent will not be obligated to close the merger transaction, and the merger transaction may terminate as a result. We cannot assure you that the debt providers will waive any condition or that Parent will obtain alternative debt financing.

Based on our discussions with Parent, Apollo and the debt providers to date, if one or both of the minimum EBITDA condition and minimum excess capacity condition discussed above are not satisfied, there is a reasonable possibility that the debt providers will not provide the debt financing under the debt commitment letter and that, depending on the condition of the metals and steel industry (and of the Company in particular) and the debt financing markets at such time, it may be difficult, or not possible, for Parent to obtain alternative financing on comparable terms. In that event, Parent would not be obligated to close the merger transaction, and the merger transaction may terminate as a result, in which case you would not receive any of the merger consideration and your ownership interest in the Company would continue. Alternatively, if Parent is unable to obtain its debt financing and is consequently not obligated to close the merger transaction, it is possible that Parent and the Company may engage in discussions about entering into a revised transaction on different terms than those in the merger agreement. In the event we agree to such a revised transaction with Parent on materially different terms than those in the merger agreement, the Company will disseminate a new proxy statement to its stockholders disclosing, among other things, the terms of such revised transaction and submit such revised transaction to a vote at a special meeting called for that purpose.

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Interests of the Company's Directors and Executive Officers in the Merger (Page 47)

Some of the directors and executive officers of Metals USA have financial interests in the merger that are different from, or are in addition to, the interests of stockholders of Metals USA. The Metals USA board of directors was aware of these interests and considered them in approving the merger agreement and the merger. These interests include:

Following the merger, C. Lourenco Goncalves, our chief executive officer and a member of our board of directors, Terry L. Freeman, our chief financial officer, and John A. Hageman, our chief legal officer and secretary, will continue as executive officers of the surviving corporation. It is expected that our other current executive officers will continue as executive officers of the surviving corporation. The service of our directors, other than Mr. Goncalves, will end on the completion of the merger.

Prior to entering into the merger agreement, Parent required that Messrs. Goncalves, Freeman and Hageman, enter into employment agreements with Merger Sub and agree to make significant investments in Parent. Accordingly, Messrs. Goncalves, Freeman and Hageman have entered into agreements with Merger Sub and Parent pursuant to which they have agreed to be employed by the surviving corporation following the effective time and to make an equity investment in Parent.

The aggregate equity investment in Parent agreed to by Messrs. Goncalves, Freeman and Hageman is expected to represent approximately \$4.6 million, or approximately 6% of the shares of common stock of Parent on a fully diluted basis immediately following the merger. As a result of his respective equity ownership in the Company, at the effective time of the merger, Mr. Goncalves is entitled to receive approximately \$4.95 million, of which he has agreed to contribute \$3.13 million to Parent at the effective time of the merger; Mr. Freeman is entitled to receive approximately \$1.76 million, of which he has agreed to contribute \$800,000 to Parent at the effective time of the merger; and Mr. Hageman is entitled to receive approximately \$1.5 million, of which he has agreed to contribute \$625,000 to Parent at the effective time of the merger. Messrs. Goncalves, Freeman and Hageman's equity investment in Parent will be illiquid and subject to an investor rights agreement restricting the ability of the management participants to sell such equity. The capital used by each of Messrs. Goncalves, Freeman and Hageman to pay for their respective equity investments in Parent will be derived from the proceeds they otherwise would be entitled to receive in the merger as holders of options, warrants, shares of Metals USA common stock and/or rights to receive additional shares of Metals USA common stock.

Each of Messrs. Goncalves, Freeman and Hageman will be granted stock options to purchase shares of Parent under the terms of Parent's stock option incentive plan and their respective non-qualified stock option agreements. In the aggregate, these stock options represent approximately 3% of the shares of common stock of the Parent on a fully diluted basis immediately following the merger. Specifically, Mr. Goncalves will be granted options to purchase up to approximately 2%, Mr. Freeman will be granted options to purchase up to approximately 0.5%, and Mr. Hageman will be granted options to purchase up to approximately 0.4%, of the common stock of Parent on a fully diluted basis immediately following the merger.

Additionally, each of Messrs. Goncalves, Freeman and Hageman has subscribed to purchase shares of Parent. In the aggregate, these shares represent approximately 3% of the shares of common stock of Parent on a fully diluted basis immediately following the merger. Specifically, Mr. Goncalves has subscribed to purchase shares representing approximately 2%, Mr. Freeman has subscribed to purchase shares representing approximately 0.5%, and Mr. Hageman has subscribed to purchase shares representing approximately 0.4%, of the common stock of Par