

CASTLE A M & CO
Form 10-Q
November 01, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For Quarterly Period Ended September 30, 2013 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 36-0879160
(State or Other Jurisdiction of (I.R.S. Employer
incorporation of organization) Identification No.)

1420 Kensington Road, Suite 220, Oak Brook, Illinois 60523
(Address of Principal Executive Offices) (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 ý 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 ý 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 ý
Non-Accelerated Filer ¨ Smaller Reporting Company ¨

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

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

| Class | Outstanding as of October 25, 2013 |
|--------------------------------|------------------------------------|
| Common Stock, \$0.01 Par Value | 23,373,093 shares |

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A. M. CASTLE & CO.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Amounts in thousands, except par value and per share data

CONDENSED CONSOLIDATED BALANCE SHEETS

| | As of | |
|---|---------------|--------------|
| | September 30, | December 31, |
| | 2013 | 2012 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$41,494 | \$ 21,607 |
| Accounts receivable, less allowances of \$3,127 and \$3,529 | 146,707 | 138,311 |
| Inventories, principally on last-in first-out basis (replacement cost higher by \$134,765 and \$139,940) | 243,711 | 303,772 |
| Prepaid expenses and other current assets | 12,351 | 11,369 |
| Deferred income taxes | 3,571 | 3,723 |
| Income tax receivable | 8,410 | 7,596 |
| Total current assets | 456,244 | 486,378 |
| Investment in joint venture | 40,179 | 38,854 |
| Goodwill | 69,783 | 70,300 |
| Intangible assets | 72,989 | 82,477 |
| Prepaid pension cost | 14,851 | 12,891 |
| Other assets | 16,509 | 18,266 |
| Property, plant and equipment | | |
| Land | 4,919 | 5,195 |
| Building | 53,253 | 52,884 |
| Machinery and equipment | 177,160 | 178,664 |
| Property, plant and equipment, at cost | 235,332 | 236,743 |
| Less - accumulated depreciation | (160,076) | (157,103) |
| Property, plant and equipment, net | 75,256 | 79,640 |
| Total assets | \$745,811 | \$ 788,806 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$85,818 | \$ 67,990 |
| Accrued liabilities | 45,450 | 36,564 |
| Income taxes payable | 820 | 1,563 |
| Current portion of long-term debt | 398 | 415 |
| Short-term debt | — | 500 |
| Total current liabilities | 132,486 | 107,032 |
| Long-term debt, less current portion | 259,298 | 296,154 |
| Deferred income taxes | 18,318 | 32,350 |
| Other non-current liabilities | 6,151 | 5,279 |
| Pension and post retirement benefit obligations | 10,928 | 10,651 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Preferred stock, \$0.01 par value—9,988 shares authorized (including 400 Series B Junior Preferred \$0.00 par value shares); no shares issued and outstanding at September 30, 2013 and December 31, 2012 | — | — |
| Common stock, \$0.01 par value—60,000 shares authorized and 23,452 shares issued and 23,354 outstanding at September 30, 2013 and 23,211 shares issued and 23,152 | 234 | 232 |

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| | | |
|--|-----------|-------------|
| outstanding at December 31, 2012 | | |
| Additional paid-in capital | 223,484 | 219,619 |
| Retained earnings | 117,907 | 139,239 |
| Accumulated other comprehensive loss | (21,611 |) (21,071) |
| Treasury stock, at cost—98 shares at September 30, 2013 and 59 shares at December 31, 2012 | (1,384 |) (679) |
| Total stockholders' equity | 318,630 | 337,340 |
| Total liabilities and stockholders' equity | \$745,811 | \$ 788,806 |

The accompanying notes are an integral part of these statements.

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AND COMPREHENSIVE LOSS

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|------------|--|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | \$253,713 | \$304,039 | \$819,837 | \$996,347 |
| Costs and expenses: | | | | |
| Cost of materials (exclusive of depreciation and amortization) | 186,758 | 218,015 | 607,650 | 722,663 |
| Warehouse, processing and delivery expense | 34,808 | 36,894 | 106,212 | 113,894 |
| Sales, general and administrative expense | 27,886 | 32,380 | 85,428 | 102,237 |
| Restructuring charges | 885 | — | 8,703 | — |
| Depreciation and amortization expense | 6,400 | 6,263 | 19,604 | 19,350 |
| Operating (loss) income | (3,024) |) 10,487 | (7,760) |) 38,203 |
| Interest expense, net | (10,177) |) (10,280) |) (30,455) |) (30,437) |
| Interest expense - unrealized loss on debt conversion option | — | — | — | (15,597) |
| Other income (expense) | 166 | 2,061 | (1,388) |) 1,812 |
| (Loss) income before income taxes and equity in earnings of joint venture | (13,035) |) 2,268 | (39,603) |) (6,019) |
| Income taxes | 4,271 | (453) |) 13,455 | (4,185) |
| (Loss) income before equity in earnings of joint venture | (8,764) |) 1,815 | (26,148) |) (10,204) |
| Equity in earnings of joint venture | 1,853 | 1,358 | 4,816 | 6,099 |
| Net (loss) income | \$(6,911) |) \$3,173 | \$(21,332) |) \$(4,105) |
| Basic (loss) income per share | \$(0.30) |) \$0.14 | \$(0.92) |) \$(0.18) |
| Diluted (loss) income per share | \$(0.30) |) \$0.13 | \$(0.92) |) \$(0.18) |
| Dividends per common share | \$— | \$— | \$— | \$— |
| Comprehensive (loss) income | \$(5,641) |) \$6,123 | \$(21,872) |) \$(1,415) |

The accompanying notes are an integral part of these statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Nine Months Ended September 30, | |
|--|--|------------|
| | 2013 | 2012 |
| Operating activities: | | |
| Net loss | \$(21,332 |) \$(4,105 |
| Adjustments to reconcile net loss to net cash from (used in) operating activities: | | |
| Depreciation and amortization | 19,604 | 19,350 |
| Amortization of deferred (gain) loss | (1,024 |) 133 |
| Amortization of deferred financing costs and debt discount | 5,283 | 4,621 |
| (Gain) loss on sale of fixed assets | (2 |) 409 |
| Unrealized loss on debt conversion option | — | 15,597 |
| Unrealized losses (gains) on commodity hedges | 566 | (192 |
| Equity in earnings of joint venture | (4,816 |) (6,099 |
| Dividends from joint venture | 3,492 | 1,828 |
| Deferred tax (benefit) expense | (14,523 |) 542 |
| Share-based compensation expense | 2,101 | 3,061 |
| Excess tax benefits from share-based payment arrangements | (471 |) (63 |
| Increase (decrease) from changes in: | | |
| Accounts receivable | (9,107 |) 11,877 |
| Inventories | 59,028 | (82,616 |
| Prepaid expenses and other current assets | (1,034 |) (6,047 |
| Other assets | (167 |) (2,293 |
| Prepaid pension costs | (261 |) (1,357 |
| Accounts payable | 18,290 | 16,943 |
| Income taxes payable and receivable | (1,147 |) 1,798 |
| Accrued liabilities | 10,001 | 13,852 |
| Postretirement benefit obligations and other liabilities | 1,221 | (168 |
| Net cash from (used in) operating activities | 65,702 | (12,929 |
| Investing activities: | | |
| Capital expenditures | (7,582 |) (8,991 |
| Proceeds from sale of fixed assets | 765 | 22 |
| Net cash used in investing activities | (6,817 |) (8,969 |
| Financing activities: | | |
| Short-term borrowings (repayments), net | (501 |) 500 |
| Proceeds from long-term debt | 115,300 | 576,477 |
| Repayments of long-term debt | (155,192 |) (564,273 |
| Payment of debt issue costs | — | (1,503 |
| Exercise of stock options | 1,045 | 104 |
| Excess tax benefits from share-based payment arrangements | 471 | 63 |
| Net cash (used in) from financing activities | (38,877 |) 11,368 |
| Effect of exchange rate changes on cash and cash equivalents | (121 |) (6 |
| Net change in cash and cash equivalents | 19,887 | (10,536 |
| Cash and cash equivalents - beginning of year | 21,607 | 30,524 |
| Cash and cash equivalents - end of period | \$41,494 | \$19,988 |

The accompanying notes are an integral part of these statements.

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A. M. Castle & Co.

Notes to Condensed Consolidated Financial Statements

Unaudited - Amounts in thousands except per share data and percentages

(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, 2012 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 period. 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, as amended. The 2013 interim results reported herein may not necessarily be indicative of the results of the Company's operations for the full year.

Reclassification — To conform with current presentation, the Company has reclassified 2012 amounts related to foreign currency transaction gains (losses) to other income (expense) beginning in the first quarter of 2013. Such amounts were previously recorded in sales, general and administrative expense in the condensed consolidated statements of operations and other comprehensive loss. GAAP provides several alternatives for presenting foreign currency transaction gains (losses). The Company believes its new presentation will be most useful to investors as it is consistent with the way the Company views its operating performance internally and will also allow for better comparability of the Company's operating performance with certain companies within its industry.

Refer below for the impact on the presentation in the condensed consolidated statements of operations and comprehensive loss:

| | For the Three Months Ended | | For the Nine Months Ended | |
|---|----------------------------|------------------------|---------------------------|------------------------|
| | September 30, 2012 | | September 30, 2012 | |
| | As Previously Reported | After Reclassification | As Previously Reported | After Reclassification |
| Sales, general and administrative expense | \$30,319 | \$ 32,380 | \$100,425 | \$ 102,237 |
| Other income (expense) | — | 2,061 | — | 1,812 |

(2) New Accounting Standards

Standards Updates Adopted

Effective January 1, 2013, the Company adopted Accounting Standards Update ("ASU") No. 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." The amendments in this ASU clarify that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amendments in this ASU require an entity to disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on its financial position for recognized assets and liabilities, including the effect or potential effect of rights of set off associated with an entity's recognized assets and recognized liabilities within the scope of Topic 210. The adoption of this ASU did not have an impact on the Company's financial condition, liquidity or operating results. The disclosure requirements associated with the adoption of ASU 2011-11 are reflected in Note 5.

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Effective January 1, 2013, the Company adopted the guidance in ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," related to the presentation of reclassification adjustments out of accumulated other comprehensive income. The amendments in this ASU require the Company to provide information about the amounts reclassified out of accumulated other comprehensive income by component. The Company is also required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, the Company is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The disclosure requirements associated with the adoption of ASU 2013-02 are reflected in Note 10.

(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 employee and director stock options, restricted stock awards, other share-based payment awards, and contingently issuable shares related to the Company's convertible debt which are included in the calculation of weighted average shares outstanding using the treasury stock method, if dilutive. The following table is a reconciliation of the basic and diluted earnings per share calculations for the three and nine months ended September 30, 2013 and 2012:

| | For the Three Months Ended September 30, 2013 | | For the Nine Months Ended September 30, 2013 | |
|---|--|-----------|---|------------|
| Numerator: | | | | |
| Net (loss) income | \$(6,911 |) \$3,173 | \$(21,332 |) \$(4,105 |
| Denominator: | | | | |
| Denominator for basic loss per share: | | | | |
| Weighted average common shares outstanding | 23,242 | 23,019 | 23,182 | 22,982 |
| Effect of dilutive securities: | | | | |
| Outstanding common stock equivalents | — | 880 | — | — |
| Denominator for diluted earnings per share | 23,242 | 23,899 | 23,182 | 22,982 |
| Basic (loss) income per share | \$(0.30 |) \$0.14 | \$(0.92 |) \$(0.18 |
| Diluted (loss) income per share | \$(0.30 |) \$0.13 | \$(0.92 |) \$(0.18 |
| Excluded outstanding share-based awards having an anti-dilutive effect | 1,057 | 222 | 1,057 | 222 |
| Excluded "in the money" portion of Convertible Notes having an anti-dilutive effect | 2,030 | — | 2,149 | 588 |

The Convertible Notes are dilutive to the extent the Company generates net income and the average stock price during the period is greater than \$10.28, the conversion price of the Convertible Notes. The Convertible Notes are only dilutive for the "in the money" portion of the Convertible Notes that could be settled with the Company's stock. In future periods, absent a fundamental change, (as defined in the Convertible Notes agreement), the outstanding Convertible Notes could increase diluted average shares outstanding by a maximum of approximately 5,600 shares.

For the three and nine months ended September 30, 2013 and 2012, the participating securities, which represent certain non-vested shares granted by the Company, were less than one percent of total securities. These securities do not participate in the Company's net (loss) income.

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4) Debt

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

| | September 30, 2013 | December 31, 2012 |
|---|-----------------------|----------------------|
| SHORT-TERM DEBT | | |
| Foreign | \$— | \$500 |
| Total short-term debt | — | 500 |
| LONG-TERM DEBT | | |
| 12.75% Senior Secured Notes due December 15, 2016 | 225,000 | 225,000 |
| 7.0% Convertible Notes due December 15, 2017 | 57,500 | 57,500 |
| Revolving Credit Facility due December 15, 2015 | — | 39,500 |
| Other, primarily capital leases | 1,099 | 1,400 |
| Total long-term debt | 283,599 | 323,400 |
| Less: unamortized discount | (23,903 |) (26,831 |
| Less: current portion | (398 |) (415 |
| Total long-term portion | 259,298 | 296,154 |
| TOTAL SHORT-TERM AND LONG-TERM DEBT | \$259,696 | \$297,069 |

During December of 2011, the Company issued \$225,000 aggregate principal amount of 12.75% Senior Secured Notes due 2016 (the “Secured Notes”), \$57,500 aggregate principal amount of 7.0% Convertible Senior Notes due 2017 (the “Convertible Notes”) and entered into a \$100,000 senior secured asset based revolving credit facility (the “Revolving Credit Facility”). Net proceeds from these transactions (collectively referred to as the “Debt Transactions”) were used to complete the acquisition of Tube Supply, repay existing debt and for general corporate purposes.

Secured Notes

The Secured Notes will mature on December 15, 2016. The Company will pay interest on the Secured Notes at a rate of 12.75% per annum in cash semi-annually. The Secured Notes are fully and unconditionally guaranteed, jointly and severally, by certain 100% owned domestic subsidiaries of the Company (the Note Guarantors). Refer to Note 16 for Guarantor Financial Information disclosure.

Convertible Notes

The Convertible Note holders may convert their Convertible Notes during the three months immediately succeeding September 30, 2013 as the last reported sale price of the Company's common stock exceeded \$13.36 for at least 20 of the last 30 consecutive trading days ending on September 30, 2013. If any Convertible Notes were to be surrendered, the Company would settle them via a combination of cash and shares of its common stock. If all the Convertible Notes were to be surrendered, the Company has estimated that it would deliver cash of \$57,500 and issue approximately 2,061 shares of common stock. Although the conversion of the Convertible Notes is outside the control of the Company at September 30, 2013, the discounted value of the outstanding Convertible Notes are classified as long-term debt in the Consolidated Balance Sheets at September 30, 2013 as the Company would have the ability and intent to utilize its revolving credit facility, which is classified as long-term, to settle the cash portion of the conversion.

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Revolving Credit Facility

The weighted average interest rate for borrowings under the Revolving Credit Facility for the nine months ended September 30, 2013 was 2.69%. As of September 30, 2013, there were no cash borrowings outstanding under the Revolving Credit Facility. The Company pays certain customary recurring fees with respect to the Revolving Credit Facility.

The Revolving Credit facility contains a springing financial maintenance covenant requiring the Company to maintain the ratio (as defined in the agreement) of EBITDA to fixed charges of 1.1 to 1.0 when excess availability is less than the greater of 10% of the calculated borrowing base (as defined in the agreement) or \$10,000. In addition, if excess availability is less than the greater of 12.5% of the calculated borrowing base (as defined in the agreement) or \$12,500, the lender has the right to take full dominion of the Company's cash collections and apply these proceeds to outstanding loans under the Revolving Credit Agreement. As of September 30, 2013, the Company's excess availability of \$89,834 was above such thresholds.

(5) Fair Value Measurements

The three-tier value hierarchy the Company utilizes, which prioritizes the inputs used in the valuation methodologies, is:

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

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

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

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

The Company's pension plan asset portfolio as of September 30, 2013 and December 31, 2012 is primarily invested in fixed income securities, which generally fall within Level 2 of the fair value hierarchy. Fixed income securities are valued based on evaluated prices provided to the trustee by independent pricing services. Such prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

Fair Value Measurements of Debt

The fair value of the Company's Secured Notes as of September 30, 2013 was estimated to be \$258,750 compared to a carrying value of \$219,328. The fair value for the Secured Notes is determined based on recent trades of the bonds and fall within Level 2 of the fair value hierarchy.

The fair value of the Convertible Notes as of September 30, 2013 was approximately \$98,853 compared to a carrying value of \$39,269. The fair value of the Convertible Notes, which fall within Level 3 of the fair value hierarchy, is determined based on similar debt instruments that do not contain a conversion feature, as well as other factors related to the callable nature of the notes.

The main inputs and assumptions into the fair value model for the Convertible Notes at September 30, 2013 were as follows:

| | | |
|--|---------|---|
| Company's stock price at the end of the period | \$16.10 | |
| Expected volatility | 21.5 | % |
| Credit spreads | 4.95 | % |
| Risk-free interest rate | 1.01 | % |

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Fair Value Measurements of Commodity Hedges

The Company has a commodity hedging program to mitigate risks associated with certain commodity price fluctuations. At September 30, 2013, the Company had executed forward contracts that extend through 2016. The counterparty to these contracts is not considered a credit risk by the Company. At September 30, 2013, the notional value associated with forward contracts was \$14,169. The Company recorded, through cost of materials, a net gain of \$354 and net loss of \$1,819 for the three and nine months ended September 30, 2013, respectively, and a net gain of \$987 and net loss of \$24 for the three and nine months ended September 30, 2012, respectively, as a result of the change in the fair value of the contracts. As of September 30, 2013, all commodity hedge contracts were in a liability position. As of December 31, 2012, a receivable of \$19 associated with commodity hedge contracts was netted with the liability to derive the value disclosed in the table below. Refer to Note 13 for letters of credit outstanding for collateral associated with commodity hedges.

The Company uses information which is representative of readily observable market data when valuing derivatives liabilities associated with commodity hedges. The derivative liabilities are included in accrued liabilities and other non-current liabilities on the Company's balance sheets and classified as Level 2 in the table below.

The liabilities measured at fair value on a recurring basis were as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|---------|
| As of September 30, 2013 | | | | |
| Derivative liability for commodity hedges | \$— | \$3,079 | \$— | \$3,079 |
| As of December 31, 2012 | | | | |
| Derivative liability for commodity hedges | \$— | \$2,494 | \$— | \$2,494 |

(6) Segment Reporting

The Company distributes and performs processing on both metals and plastics. Although the distribution processes are similar, the customer markets, supplier bases and types of products are different. Additionally, the Company's Chief Executive Officer, the chief operating decision-maker, reviews and manages these two businesses separately. As such, these businesses are considered reportable segments and are reported accordingly.

In 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, extrusions, round bar, hexagon bar, square and flat bar, tubing and coil. Depending on the size of the facility and the nature of the markets it serves, service centers are equipped as needed with bar saws, plate saws, oxygen and plasma arc flame cutting machinery, trepanning machinery, boring machinery, honing equipment, 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 a wholly-owned subsidiary that operates as Total Plastics, Inc. ("TPI") headquartered in Kalamazoo, Michigan, and its wholly-owned subsidiaries. The Plastics segment stocks and distributes a wide variety of plastics in forms that include plate, rod, tube, clear sheet, tape, gaskets and fittings. Processing activities within this segment include cut-to-length, cut-to-shape, bending and forming according to customer specifications. The Plastics segment's diverse customer base consists of companies in the retail (point-of-purchase), automotive, marine, office furniture and fixtures, safety products, life sciences applications, and general manufacturing industries. TPI has locations throughout the upper northeast and midwest regions of the U.S. and one facility in Florida from which it services a wide variety of users of industrial plastics.

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, as amended, for the year ended December 31, 2012. Management evaluates the performance of its business segments based on operating income.

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Segment information for the three months ended September 30, 2013 and 2012 is as follows:

| | Net Sales | Operating (Loss) Income | Capital Expenditures | Depreciation & Amortization |
|----------------------|--------------|----------------------------|-------------------------|--------------------------------|
| 2013 | | | | |
| Metals segment | \$220,000 | \$(1,536) | \$2,026 | \$5,980 |
| Plastics segment | 33,713 | 1,049 | 120 | 420 |
| Other ^(a) | — | (2,537) | — | — |
| Consolidated | \$253,713 | \$(3,024) | \$2,146 | \$6,400 |
| 2012 | | | | |
| Metals segment | \$272,445 | \$12,427 | \$3,232 | \$5,912 |
| Plastics segment | 31,594 | 1,011 | 800 | 351 |
| Other ^(a) | — | (2,951) | — | — |
| Consolidated | \$304,039 | \$10,487 | \$4,032 | \$6,263 |

Segment information for the nine months ended September 30, 2013 and 2012 is as follows:

| | Net Sales | Operating (Loss) Income | Capital Expenditures | Depreciation & Amortization |
|----------------------|--------------|----------------------------|-------------------------|--------------------------------|
| 2013 | | | | |
| Metals segment | \$717,830 | \$(4,387) | \$6,673 | \$18,356 |
| Plastics segment | 102,007 | 2,950 | 909 | 1,248 |
| Other ^(a) | — | (6,323) | — | — |
| Consolidated | \$819,837 | \$(7,760) | \$7,582 | \$19,604 |
| 2012 | | | | |
| Metals segment | \$901,581 | \$44,439 | \$6,552 | \$18,335 |
| Plastics segment | 94,766 | 2,612 | 1,571 | 1,015 |
| Other ^(a) | — | (8,848) | — | — |
| Consolidated | \$996,347 | \$38,203 | \$8,123 | \$19,350 |

^(a) “Other” – Operating income includes the costs of executive, legal and finance departments, which are shared by both the Metals and Plastics segments.

Below are reconciliations of segment data to consolidated (loss) income before income taxes for the three months ended September 30, 2013 and 2012:

| | September 30, | |
|---|---------------|-----------|
| | 2013 | 2012 |
| Operating (loss) income | \$(3,024) | \$10,487 |
| Interest expense, net | (10,177) | (10,280) |
| Other income (expense) | 166 | 2,061 |
| (Loss) income before income taxes and equity in earnings of joint venture | (13,035) | 2,268 |
| Equity in earnings of joint venture | 1,853 | 1,358 |
| Consolidated (loss) income before income taxes | \$(11,182) | \$3,626 |

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Below are reconciliations of segment data to consolidated (loss) income before income taxes for the nine months ended September 30, 2013 and 2012:

| | September 30, | |
|--|---------------|------------|
| | 2013 | 2012 |
| Operating (loss) income | \$(7,760 |) \$38,203 |
| Interest expense, net | (30,455 |) (30,437 |
| Interest expense - unrealized loss on debt conversion option | — | (15,597 |
| Other income (expense) | (1,388 |) 1,812 |
| Loss before income taxes and equity in earnings of joint venture | (39,603 |) (6,019 |
| Equity in earnings of joint venture | 4,816 | 6,099 |
| Consolidated (loss) income before income taxes | \$(34,787 |) \$80 |

Segment information for total assets is as follows:

| | September 30, | December 31, |
|----------------------|---------------|--------------|
| | 2013 | 2012 |
| Metals segment | \$646,529 | \$693,803 |
| Plastics segment | 59,103 | 56,149 |
| Other ^(a) | 40,179 | 38,854 |
| Consolidated | \$745,811 | \$788,806 |

^(a) "Other" — Total assets consist of the Company's investment in joint venture.

(7) Goodwill and Intangible Assets

The changes in carrying amounts of goodwill during the nine months ended September 30, 2013 were as follows:

| | Metals Segment | Plastics Segment | Total |
|----------------------------------|-------------------|---------------------|-----------|
| Balance as of January 1, 2013 | | | |
| Goodwill | \$117,544 | \$12,973 | \$130,517 |
| Accumulated impairment losses | (60,217 |) — | (60,217 |
| Balance as of January 1, 2013 | 57,327 | 12,973 | 70,300 |
| Currency valuation | (517 |) — | (517 |
| Balance as of September 30, 2013 | | | |
| Goodwill | 117,027 | 12,973 | 130,000 |
| Accumulated impairment losses | (60,217 |) — | (60,217 |
| Balance as of September 30, 2013 | \$56,810 | \$12,973 | \$69,783 |

The Company's annual test for goodwill impairment was completed as of January 1, 2013. Based on the January 1, 2013 test, the Company determined that there was no impairment of goodwill. Due to organizational structure changes resulting from the Company's restructuring activities announced in January 2013, the Company combined the reporting units that previously comprised its Metals segment into a single reporting unit for purposes of goodwill impairment testing. The Company's year-to-date operating results, among other factors, are considered in determining whether it is more-likely-than-not that the fair value for either of the two reporting units has declined below their respective carrying values, which would require the Company to perform an interim goodwill impairment test. Taking into consideration the results for the three and nine months ended September 30, 2013 in which the Company experienced lower than anticipated demand, management does not believe it is more-likely-than-not that the fair value of either reporting unit has declined below carrying value. If the lower demand continues for a sustained period, this could change management's expectations of future financial results and/or key valuation assumptions used in determining the fair value of its reporting units, which could result in a goodwill impairment.

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The following table summarizes the components of intangible assets:

| | September 30, 2013 | | December 31, 2012 | |
|------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Customer relationships | \$118,387 | \$52,696 | \$119,118 | \$45,317 |
| Non-compete agreements | 3,888 | 3,485 | 3,888 | 3,235 |
| Trade name | 8,091 | 1,760 | 8,297 | 1,188 |
| Developed technology | 1,400 | 836 | 1,400 | 486 |
| Total | \$131,766 | \$58,777 | \$132,703 | \$50,226 |

Substantially all of the Company's intangible assets were acquired as part of the acquisitions of Transtar on September 5, 2006 and Tube Supply on December 15, 2011.

For the three months ended September 30, 2013 and 2012, the aggregate amortization expense was \$2,944 and \$2,961, respectively. For the nine months ended September 30, 2013 and 2012, the aggregate amortization expense was \$8,855 and \$8,880, respectively.

The following is a summary of the estimated annual amortization expense for 2013 and each of the next 4 years:

| | |
|------|----------|
| 2013 | \$11,789 |
| 2014 | 11,756 |
| 2015 | 10,989 |
| 2016 | 10,989 |
| 2017 | 8,966 |

(8) Inventories

Approximately eighty percent of the Company's inventories are valued at the lower of LIFO cost or market. Final inventory determination under the LIFO costing method is made at the end of each fiscal year based on the actual inventory levels and costs at that time. Interim LIFO determinations, including those at September 30, 2013, are based on management's estimates of future inventory levels and costs for the balance of the current fiscal year. 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 \$134,765 and \$139,940 at September 30, 2013 and December 31, 2012, respectively. Income taxes would become payable on any realization of this excess from reductions in the level of inventories.

(9) 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. All compensation expense related to share-based compensation arrangements is recorded in sales, general and administrative expense. The unrecognized compensation cost as of September 30, 2013 associated with all share-based payment arrangements is \$5,679 and the weighted average period over which it is to be expensed is 1.4 years.

2013 Long-Term Compensation Plan

On March 6, 2013, the Human Resources Committee (the "Committee") of the Board of Directors of the Company approved equity awards under the Company's 2013 Long-Term Compensation Plan ("2013 LTC Plan") for executive officers and other select personnel. The 2013 LTC Plan awards included restricted stock units ("RSUs") and performance share units ("PSUs"). All 2013 LTC Plan awards are subject to the terms of the Company's 2008 A.M. Castle & Co. Omnibus Incentive Plan, amended and restated as of April 25, 2013.

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The 2013 LTC Plan consists of three components of share-based payment awards as follows:

Restricted Share Units - The Company granted 114 RSUs with a grant date fair value of \$16.29 per share unit, which was established using the market price of the Company's stock on the date of grant. The RSUs cliff vest on December 31, 2015. Each RSU that becomes vested entitles the participant to receive one share of the Company's common stock. The number of shares delivered may be reduced by the number of shares required to be withheld for federal and state withholding tax requirements (determined at the market price of Company shares at the time of payout).

Performance Share Units - The Company granted 229 PSUs, half of which contain a market-based performance condition and half of which contain a non-market-based performance condition.

PSUs containing a market-based performance condition - The potential award for PSUs containing a market-based performance condition is dependent on relative total shareholder return ("RTSR"), which is measured over a three-year performance period, beginning January 1st of the year of grant. RTSR is measured against a group of peer companies either in the metals industry or in the industrial products distribution industry (the "RTSR Peer Group"). The number of performance shares, if any, that vest based on the performance achieved during the three-year performance period, will vest at the end of the three-year performance period. Each performance share that becomes vested entitles the participant to receive one share of the Company's common stock. The grant date fair value for the PSUs containing the RTSR market-based performance condition under the 2013 LTC Plan of \$24.74 was estimated using a Monte Carlo simulation with the following assumptions:

| | | |
|--------------------------|------|---|
| | 2013 | |
| Expected volatility | 59.5 | % |
| Risk-free interest rate | 0.38 | % |
| Expected life (in years) | 2.82 | |
| Expected dividend yield | — | |

Compensation expense for performance awards containing a market-based performance condition is recognized regardless of whether the market condition is achieved to the extent the requisite service period condition is met.

PSUs containing a non-market-based performance condition - The potential award for PSUs containing a non-market-based performance condition is determined based on the Company's average actual performance versus Company-specific target goals for Return on Invested Capital ("ROIC") (as defined in the 2013 LTC Plan) for the three-year performance period beginning on January 1st of the year of grant. Partial performance awards can be earned for performance less than the target goal, but in excess of minimum goals and award distributions twice the target can be achieved if the maximum goals are met or exceeded. The number of performance shares, if any, that vest based on the performance achieved during the three-year performance period, will vest at the end of the three-year performance period. Compensation expense recognized is based on management's expectation of future performance compared to the pre-established performance goals. If the performance goals are not expected to be met, no compensation expense is recognized and any previously recognized compensation expense is reversed. The grant date fair-value of the PSUs containing a non-market-based performance condition was established using the market price of the Company's stock on the date of grant.

The award information associated with market and non-market-based performance condition awards is summarized below:

| Share type | Grant Date Fair Value | Estimated Number of PSUs to be Issued | Maximum Number of PSUs that could Potentially be Issued |
|--|--------------------------|---|---|
| Market-based performance condition | \$24.74 | 176 | 196 |
| Non-market-based performance condition | \$16.29 | — | 196 |

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(10) Stockholders' Equity

Shareholder Rights Plan

In August 2012, the Company's Board of Directors adopted a Shareholder Rights Plan (the "Rights Plan") and declared a dividend of one right for each outstanding share of the Company's common stock outstanding at the close of business on September 11, 2012. Pursuant to the Rights Plan, the Company issued one preferred stock purchase right (a "Right") for each share of common stock outstanding on September 11, 2012. Each Right, once exercisable, represents the right to purchase one one-hundredth of a share (a "Unit") of Series B Junior Preferred Stock of the Company, without par value, for \$54.00, subject to adjustment. The Rights become exercisable in the event any individual person or entity, without Board approval, acquires 10% or more of the Company's common stock, subject to certain exceptions. In these circumstances, each holder of a Right (other than rights held by the acquirer) will be entitled to purchase, at the then-current exercise price of the Right, additional shares of the Company's common stock having a value of twice the exercise price of the Right. Additionally, if the Company is involved in a merger or other business combination transaction with another person after which its common stock does not remain outstanding, each Right will entitle its holder to purchase, at the then-current exercise price of the Right, shares of common stock of the ultimate parent of such other person having a market value of twice the exercise price of the Right. The Rights may be redeemed by the Company for \$0.001 per Right at any time until the tenth business day following the first public announcement of an acquisition of beneficial ownership of 10% of the Company's common stock. On August 13, 2013, the Company's Board of Directors agreed to extend the Rights Plan from August 30, 2013, when it was originally set to expire, to August 30, 2014, unless the rights issued thereunder are earlier redeemed or the Rights Plan is amended by the Board of Directors.

Comprehensive (Loss) Income

Comprehensive (loss) income includes net (loss) income and all other non-owner changes to equity that are not reported in net (loss) income.

The Company's comprehensive (loss) income for the three months ended September 30, 2013 and 2012 is as follows:

| | September 30, | |
|---------------------------------------|---------------|-----------|
| | 2013 | 2012 |
| Net (loss) income | \$(6,911 |) \$3,173 |
| Foreign currency translation gain | 924 | 3,060 |
| Pension cost amortization, net of tax | 346 | (110 |
| Total comprehensive (loss) income | \$(5,641 |) \$6,123 |

The Company's comprehensive loss for the nine months ended September 30, 2013 and 2012 is as follows:

| | September 30, | |
|--|---------------|------------|
| | 2013 | 2012 |
| Net loss | \$(21,332 |) \$(4,105 |
| Foreign currency translation (loss) gain | (1,576 |) 3,019 |
| Pension cost amortization, net of tax | 1,036 | (329 |
| Total comprehensive loss | \$(21,872 |) \$(1,415 |

The components of accumulated other comprehensive loss is as follows:

| | September 30, | December 31, |
|---|---------------|--------------|
| | 2013 | 2012 |
| Foreign currency translation losses | \$(3,898 |) \$(2,322 |
| Unrecognized pension and postretirement benefit costs, net of tax | (17,713 |) (18,749 |
| Total accumulated other comprehensive loss | \$(21,611 |) \$(21,071 |

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Changes in accumulated other comprehensive loss by component for the three months ended September 30, 2013 are as follows:

| | Defined Benefit Pension and Postretirement Items | Foreign Currency Items | Total |
|---|--|---------------------------|-------------|
| Balance as of July 1, 2013 | \$(18,059) | \$(4,822) | \$(22,881) |
| Other comprehensive income before reclassifications | — | 924 | 924 |
| Amounts reclassified from accumulated other comprehensive loss, net of tax ^(a) | 346 | — | 346 |
| Net current period other comprehensive income | 346 | 924 | 1,270 |
| Balance as of September 30, 2013 | \$(17,713) | \$(3,898) | \$(21,611) |

Changes in accumulated other comprehensive loss by component for the nine months ended September 30, 2013 are as follows:

| | Defined Benefit Pension and Postretirement Items | Foreign Currency Items | Total |
|---|--|---------------------------|-------------|
| Balance as of January 1, 2013 | \$(18,749) | \$(2,322) | \$(21,071) |
| Other comprehensive loss before reclassifications | — | (1,576) | (1,576) |
| Amounts reclassified from accumulated other comprehensive loss, net of tax ^(a) | 1,036 | — | 1,036 |
| Net current period other comprehensive (loss) income | 1,036 | (1,576) | (540) |
| Balance as of September 30, 2013 | \$(17,713) | \$(3,898) | \$(21,611) |

^(a) See the table below for details of reclassification from accumulated other comprehensive loss for the three and nine months ended September 30, 2013, respectively.

Reclassifications from accumulated other comprehensive loss for the three and nine months ended September 30, 2013 are as follows:

| Details about Accumulated Other Comprehensive Loss Components | Amount Reclassified from Accumulated Other Comprehensive Loss | |
|--|--|---|
| | Three months ended September 30, 2013 | Nine months ended September 30, 2013 |
| Amortization of defined benefit pension and postretirement items | | |
| Prior service cost ^(b) | \$(80) | \$(242) |
| Actuarial loss ^(b) | (485) | (1,455) |
| Total before Tax | (565) | (1,697) |
| Tax benefit | 219 | 661 |
| Total reclassifications for the period, net of tax | \$(346) | \$(1,036) |

^(b) These accumulated other comprehensive loss components are included in the computation of net periodic pension and postretirement benefit cost for the three and nine months ended September 30, 2013, respectively (see Note 11 for additional details).

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(11) Employee Benefit Plans

Components of the net periodic pension and postretirement benefit cost (credit) for the three months ended September 30, 2013 and 2012 are as follows:

| | September 30, | |
|---|---------------|----------|
| | 2013 | 2012 |
| Service cost | \$213 | \$192 |
| Interest cost | 1,618 | 1,750 |
| Expected return on assets | (2,319 |) (2,464 |
| Amortization of prior service cost | 80 | 81 |
| Amortization of actuarial loss | 485 | 149 |
| Net periodic pension and postretirement benefit cost (credit) | \$77 | \$(292 |
| Contributions paid | \$12 | \$— |

Components of the net periodic pension and postretirement benefit cost (credit) for the nine months ended September 30, 2013 and 2012 are as follows:

| | September 30, | |
|---|---------------|----------|
| | 2013 | 2012 |
| Service cost | \$639 | \$576 |
| Interest cost | 4,856 | 5,250 |
| Expected return on assets | (6,959 |) (7,392 |
| Amortization of prior service cost | 242 | 243 |
| Amortization of actuarial loss | 1,455 | 447 |
| Net periodic pension and postretirement benefit cost (credit) | \$233 | \$(876 |
| Contributions paid | \$12 | \$— |

The Company anticipates making no significant cash contributions to its pension plans in 2013.

(12) Joint Venture

Kreher Steel Co., LLC is a 50% owned joint venture of the Company. It is a metals distributor of bulk quantities of alloy, special bar quality and stainless steel bars, headquartered in Melrose Park, Illinois.

The following information summarizes financial data for this joint venture for the three months ended September 30, 2013 and 2012:

| | September 30, | |
|---------------------|---------------|----------|
| | 2013 | 2012 |
| Net sales | \$57,446 | \$63,578 |
| Cost of materials | 47,356 | 52,705 |
| Income before taxes | 4,284 | 4,129 |
| Net income | 3,706 | 2,716 |

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The following information summarizes financial data for this joint venture for the nine months ended September 30, 2013 and 2012:

| | September 30, | |
|---------------------|---------------|-----------|
| | 2013 | 2012 |
| Net sales | \$172,226 | \$208,045 |
| Cost of materials | 143,727 | 172,370 |
| Income before taxes | 11,335 | 15,663 |
| Net income | 9,632 | 12,198 |

(13) Commitments and Contingent Liabilities

As of September 30, 2013, the Company had \$6,701 of irrevocable letters of credit outstanding which primarily consisted of \$4,000 for collateral associated with commodity hedges and \$1,901 for compliance with the insurance reserve requirements of its workers' compensation insurance carriers.

The Company is party to a variety of legal proceedings arising from the operation of its business. These proceedings are incidental and occur in the normal course of the Company's business affairs. It is the opinion of management, based upon the information available at this time, that the currently expected outcome of these proceedings will not have a material effect on the consolidated results of operations, financial condition or cash flows of the Company, except as noted below.

During the quarter ended March 31, 2013, the Company received warranty and other claims from certain customers regarding alleged quality defects with certain alloy round bar products sold by the Company in 2012 and 2013. The Company evaluated the information provided by the customers and issued a notice of potential defect to other affected customers. As previously reported, the Company estimated that it may incur costs for warranty and other customer claims associated with the alleged quality defects from \$325 to \$1,250. Based on the information available as of September 30, 2013, the Company increased its best estimate of the probable loss resulting from these claims from its previous estimate of \$650 to \$1,150 of which approximately \$200 and \$850 are included in cost of materials for the three and nine months ended September 30, 2013, respectively. The Company believes that amounts paid to customers will be recoverable from the original supplier of the products. There can be no assurance that the Company's losses related to these claims will not exceed the Company's estimated range of loss, or that the Company will be able to recover any amounts from the original supplier of the products.

(14) Restructuring Charges

As part of the Company's efforts to adapt operations to market conditions, restructuring activities related to the Company's organizational structure and operations were announced during January of 2013. The charges associated with the restructuring activities are included in the Company's Metals segment and in the Company's 'Other' segment which includes the costs of the executive, legal, and finance departments shared by both the Metals and Plastics segments.

The charges incurred during the nine months ended September 30, 2013 were comprised of employee termination and related benefits associated with salaried and hourly workforce reductions, lease termination costs, moving costs and other exit costs associated with five plant consolidations. All of the lease termination costs were recognized in the second quarter of 2013.

For the nine months ended September 30, 2013, the Company incurred \$9,939 of charges related to the restructuring announced in January of this year. The Company previously indicated an expectation of \$10,000 in total charges and believes that any additional charges related to the January announced restructuring will be insignificant. However, as the Company continues to execute its continuous improvement plans to lower structural operating costs, additional charges are likely to be incurred. The Company expects to close additional facilities during 2013 through 2014 in locations where it has a duplicate footprint. The Company expects to incur \$2,000 to \$3,000 of charges in the fourth quarter of 2013 for moving and relocation costs associated with facility consolidation activity.

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Below is a summary of the total restructuring charges incurred in the three and nine months ended September 30, 2013. Charges incurred in the nine months ended September 30, 2013 represent the cumulative amount incurred to date.

| | Charges incurred during the | |
|---|-----------------------------|--------------------|
| | Three months ended | Nine months ended |
| | September 30, 2013 | September 30, 2013 |
| Employee termination and related benefits | \$279 | \$2,493 |
| Lease termination costs | — | 1,830 |
| Moving costs associated with plant consolidations | 555 | 4,014 |
| Other exit costs | 51 | 366 |
| Inventory write-offs | — | 1,236 |
| Total | \$885 | \$9,939 |

The reserve activity for the nine months ended September 30, 2013 related to the January 2013 announced restructuring is summarized below:

| | Balance as of January 1 | Period Activity | | | Balance as of September 30 ^(b) |
|---|-------------------------|------------------------|---------------|------------|---|
| | | Charges ^(a) | Cash payments | Impairment | |
| Employee termination and related benefits | \$— | \$2,493 | \$(1,642) | \$— | \$851 |
| Lease termination costs | — | 1,830 | (252) | — | 1,578 |
| Moving costs associated with plant consolidations | — | 4,014 | (3,695) | (169) | 150 |
| Other exit costs | — | 366 | (366) | — | — |
| Inventory write-offs | — | 1,236 | — | (1,236) | — |
| Total | \$— | \$9,939 | \$(5,955) | \$(1,405) | \$2,579 |

^(a) Costs associated with the write-off of inventory are included in cost of materials in the condensed consolidated statements of operations and comprehensive loss. All other costs are recorded to the restructuring charges line item within the condensed consolidated statements of operations and comprehensive loss as they are incurred.

^(b) Cash payments are expected to be made during the fourth quarter of 2013 for the remaining balance of the restructuring reserve activity except for the lease termination costs. Payments on certain of the lease obligations are scheduled to continue until 2016. Market conditions and the Company's ability to sublease these properties could affect the ultimate charge related to the lease obligations. Any potential recoveries or additional charges could affect amounts reported in the Condensed Consolidated Financial Statements of future periods.

(15) Income Taxes

The reported effective tax rate for the three months ended September 30, 2013 and 2012 was 32.8% and 20.0%, respectively. The change in the effective tax rate for the three months ended September 30, 2013 compared to the three months ended September 30, 2012 was primarily the result of a change in the geographical mix of (loss)income. The reported effective tax rate for the nine months ended September 30, 2013 and 2012 was 34.0% and (69.5)%, respectively. The income tax expense in the nine months ended September 30, 2012 was impacted by the non-deductible unrealized loss on the conversion option associated with the Convertible Notes recorded in 2012. The Company accounted for the restructuring costs incurred during the three and nine months ended September 30, 2013 as discrete items for interim income tax accounting purposes.

The following tax years remain open to examination by the major taxing jurisdictions to which the Company is subject:

| | |
|--------------|--------------|
| U.S. Federal | 2010 to 2012 |
| U.S. States | 2008 to 2012 |
| Foreign | 2007 to 2012 |

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The Company's gross unrecognized tax benefits are not significant.

The Company received its 2010 federal tax refund of \$2,025 during February 2012. The Company received its 2012 federal tax refund of \$2,590 during October 2013.

(16) Guarantor Financial Information

The accompanying condensed consolidating financial information has been prepared and presented pursuant to Rule 3-10 of SEC Regulation S-X "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered." The consolidating financial information presents A. M. Castle & Co. (Parent) and subsidiaries. The consolidating financial information has been prepared on the same basis as the consolidated statements of the Parent. The equity method of accounting is followed within this financial information.

In September 2013, the Company merged Transtar Metals Corp. and Oliver Steel Plate Co., guarantors, with the Parent. In addition, certain non-guarantor subsidiaries were merged with the parent in September 2013. In September 2012, the Company merged Tube Supply, LLC, a guarantor, with the Parent. The Company has reflected these changes in its accompanying condensed consolidating financial statements of guarantors and non-guarantors. The Condensed Consolidating Statement of Operations and Comprehensive Loss for the nine months ended September 30, 2013 reflects an adjustment to the income tax benefit in the amount of \$10,600 (which was recorded during the three month period ended June 30, 2013) from the Non-Guarantors column to the Parent column to adjust the income tax presentation to properly reflect the estimated income tax positions of the Parent and Non-Guarantors. The income tax benefit for the nine months ended September 30, 2013 reflects this adjusted presentation.

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Condensed Consolidating Balance Sheet

As of September 30, 2013

| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|-----------|------------|----------------|--------------|--------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$23,644 | \$552 | \$ 17,298 | \$— | \$41,494 |
| Accounts receivable, less allowance for doubtful accounts | 76,850 | 20,459 | 49,398 | — | 146,707 |
| Receivables from affiliates | 3,360 | — | — | (3,360) | — |
| Inventories | 160,040 | 15,855 | 67,884 | (68) | 243,711 |
| Prepaid expenses and other current assets | 14,653 | 1,213 | 8,668 | (202) | 24,332 |
| Total current assets | 278,547 | 38,079 | 143,248 | (3,630) | 456,244 |
| Investment in joint venture | 40,179 | — | — | — | 40,179 |
| Goodwill | 41,504 | 12,973 | 15,306 | — | 69,783 |
| Intangible assets | 55,195 | — | 17,794 | — | 72,989 |
| Other assets | 29,316 | — | 2,044 | — | 31,360 |
| Investment in subsidiaries | 125,015 | — | — | (125,015) | — |
| Receivables from affiliates | 87,774 | 32,879 | 4,724 | (125,377) | — |
| Property, plant and equipment, net | 50,301 | 13,074 | 11,881 | — | 75,256 |
| Total assets | \$707,831 | \$97,005 | \$ 194,997 | \$(254,022) | \$745,811 |
| Liabilities and Stockholders' Equity | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$59,259 | \$9,341 | \$ 17,218 | \$— | \$85,818 |
| Payables due to affiliates | 1,725 | 469 | 1,166 | (3,360) | — |
| Other current liabilities | 37,465 | 965 | 7,840 | — | 46,270 |
| Current portion of long-term debt and short-term debt | 371 | — | 27 | — | 398 |
| Total current liabilities | 98,820 | 10,775 | 26,251 | (3,360) | 132,486 |
| Long-term debt, less current portion | 259,252 | — | 46 | — | 259,298 |
| Payables due to affiliates | — | 7,559 | 117,818 | (125,377) | — |
| Deferred income taxes | 14,701 | 4,771 | (1,154) | — | 18,318 |
| Other non-current liabilities | 16,428 | — | 651 | — | 17,079 |
| Stockholders' equity | 318,630 | 73,900 | 51,385 | (125,285) | 318,630 |
| Total liabilities and stockholders' equity | \$707,831 | \$97,005 | \$ 194,997 | \$(254,022) | \$745,811 |

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Condensed Consolidating Balance Sheet

As of December 31, 2012

| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|-----------|------------|----------------|--------------|--------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$4,106 | \$903 | \$ 16,598 | \$— | \$21,607 |
| Accounts receivable, less allowance for doubtful accounts | 77,160 | 17,170 | 43,981 | — | 138,311 |
| Receivables from affiliates | 1,213 | — | 668 | (1,881) |) — |
| Inventories | 211,450 | 16,613 | 75,777 | (68) |) 303,772 |
| Prepaid expenses and other current assets | 16,587 | (1,648) |) 7,951 | (202) |) 22,688 |
| Total current assets | 310,516 | 33,038 | 144,975 | (2,151) |) 486,378 |
| Investment in joint venture | 38,854 | — | — | — | 38,854 |
| Goodwill | 41,504 | 12,973 | 15,823 | — | 70,300 |
| Intangible assets | 62,668 | — | 19,809 | — | 82,477 |
| Other assets | 26,824 | (2) |) 4,335 | — | 31,157 |
| Investment in subsidiaries | 130,257 | — | — | (130,257) |) — |
| Receivables from affiliates | 85,351 | 32,177 | 3,283 | (120,811) |) — |
| Property, plant and equipment, net | 54,701 | 13,552 | 11,387 | — | 79,640 |
| Total assets | \$750,675 | \$91,738 | \$ 199,612 | \$(253,219) |) \$788,806 |
| Liabilities and Stockholders' Equity | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$45,456 | \$8,488 | \$ 14,046 | \$— | \$67,990 |
| Payables due to affiliates | 838 | — | 1,044 | (1,882) |) — |
| Other current liabilities | 30,902 | (855) |) 8,080 | — | 38,127 |
| Current portion of long-term debt and short-term debt | 387 | — | 528 | — | 915 |
| Total current liabilities | 77,583 | 7,633 | 23,698 | (1,882) |) 107,032 |
| Long-term debt, less current portion | 292,086 | — | 4,068 | — | 296,154 |
| Payables due to affiliates | — | 8,381 | 112,430 | (120,811) |) — |
| Deferred income taxes | 28,052 | 4,771 | (473) |) — | 32,350 |
| Other non-current liabilities | 15,614 | — | 316 | — | 15,930 |
| Stockholders' equity | 337,340 | 70,953 | 59,573 | (130,526) |) 337,340 |
| Total liabilities and stockholders' equity | \$750,675 | \$91,738 | \$ 199,612 | \$(253,219) |) \$788,806 |

Table of ContentsCondensed Consolidating Statement of Operations and Comprehensive Loss
For the Three Months Ended September 30, 2013

| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|--|------------|------------|----------------|--------------|--------------|
| Net Sales | \$168,591 | \$33,708 | \$ 57,949 | \$(6,535) | \$253,713 |
| Costs and expenses: | | | | | |
| Cost of materials (exclusive of depreciation and amortization) | 123,589 | 24,071 | 45,633 | (6,535) | 186,758 |
| Warehouse, processing and delivery expense | 25,913 | 2,932 | 5,963 | — | 34,808 |
| Sales, general and administrative expense | 18,786 | 4,534 | 4,566 | — | 27,886 |
| Restructuring charges | 627 | — | 258 | — | 885 |
| Depreciation and amortization expense | 4,864 | 558 | 978 | — | 6,400 |
| Operating (loss) income | (5,188) | 1,613 | 551 | — | (3,024) |
| Interest expense, net | (6,594) | — | (3,583) | — | (10,177) |
| Other income | — | — | 166 | — | 166 |
| (Loss) income before income taxes and equity in earnings of subsidiaries and joint venture | (11,782) | 1,613 | (2,866) | — | (13,035) |
| Income taxes | 3,848 | (615) | 1,038 | — | 4,271 |
| Equity in losses of subsidiaries | (830) | — | — | 830 | — |
| Equity in earnings of joint venture | 1,853 | — | — | — | 1,853 |
| Net (loss) income | (6,911) | 998 | (1,828) | 830 | (6,911) |
| Comprehensive (loss) income | \$(5,641) | \$998 | \$ (904) | \$(94) | \$(5,641) |

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Condensed Consolidating Statement of Operations and Comprehensive Loss

For the Three Months Ended September 30, 2012

| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|--|-----------|------------|----------------|--------------|--------------|
| Net Sales | \$210,707 | \$31,594 | \$ 68,843 | \$(7,105) | \$304,039 |
| Costs and expenses: | | | | | |
| Cost of materials (exclusive of depreciation and amortization) | 149,920 | 22,403 | 53,253 | (7,561) | 218,015 |
| Warehouse, processing and delivery expense | 28,017 | 3,122 | 5,755 | — | 36,894 |
| Sales, general and administrative expense | 22,378 | 4,004 | 5,998 | — | 32,380 |
| Depreciation and amortization expense | 4,780 | 487 | 996 | — | 6,263 |
| Operating income | 5,612 | 1,578 | 2,841 | 456 | 10,487 |
| Interest (expense) income, net | (6,708) | 4) | (3,576) | —) | (10,280) |
| Other income | — | — | 2,061 | — | 2,061 |
| Income (loss) before income taxes and equity in earnings of subsidiaries and joint venture | (1,096) | 1,582) | 1,326 | 456 | 2,268 |
| Income taxes | 721 | (606) | (392) | (176) | (453) |
| Equity in earnings of subsidiaries | 2,190 | — | — | (2,190) | — |
| Equity in earnings of joint venture | 1,358 | — | — | — | 1,358 |
| Net income | \$3,173 | \$976 | \$ 934 | \$(1,910) | \$3,173 |
| Comprehensive income | \$6,123 | \$976 | \$ 3,994 | \$(4,970) | \$6,123 |

Table of ContentsCondensed Consolidating Statement of Operations and Comprehensive Loss
For the Nine Months Ended September 30, 2013

| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|--|-------------|------------|----------------|--------------|--------------|
| Net Sales | \$559,388 | \$102,007 | \$ 183,129 | \$(24,687) | \$819,837 |
| Costs and expenses: | | | | | |
| Cost of materials (exclusive of depreciation and amortization) | 416,736 | 73,029 | 142,572 | (24,687) | 607,650 |
| Warehouse, processing and delivery expense | 79,311 | 9,149 | 17,752 | — | 106,212 |
| Sales, general and administrative expense | 56,499 | 13,525 | 15,404 | — | 85,428 |
| Restructuring charges | 6,557 | — | 2,146 | — | 8,703 |
| Depreciation and amortization expense | 14,933 | 1,662 | 3,009 | — | 19,604 |
| Operating (loss) income | (14,648) | 4,642 | 2,246 | — | (7,760) |
| Interest expense, net | (19,418) | — | (11,037) | — | (30,455) |
| Other expense | — | — | (1,388) | — | (1,388) |
| (Loss) income before income taxes and equity in earnings of subsidiaries and joint venture | (34,066) | 4,642 | (10,179) | — | (39,603) |
| Income taxes | 11,592 | (1,695) | 3,558 | — | 13,455 |
| Equity in earnings of subsidiaries | (3,674) | — | — | 3,674 | — |
| Equity in earnings of joint venture | 4,816 | — | — | — | 4,816 |
| Net (loss) income | (21,332) | 2,947 | (6,621) | 3,674 | (21,332) |
| Comprehensive (loss) income | \$(21,872) | \$2,947 | \$ (8,197) | \$5,250 | \$(21,872) |

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Condensed Consolidating Statement of Operations and Comprehensive Loss

For the Nine Months Ended September 30, 2012

| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|--|------------|------------|----------------|--------------|--------------|
| Net Sales | \$712,175 | \$94,766 | \$ 216,477 | \$(27,071) | \$996,347 |
| Costs and expenses: | | | | | |
| Cost of materials (exclusive of depreciation and amortization) | 516,601 | 66,753 | 166,253 | (26,944) | 722,663 |
| Warehouse, processing and delivery expense | 86,653 | 9,575 | 17,666 | — | 113,894 |
| Sales, general and administrative expense | 71,939 | 12,719 | 17,579 | — | 102,237 |
| Depreciation and amortization expense | 14,852 | 1,529 | 2,969 | — | 19,350 |
| Operating income | 22,130 | 4,190 | 12,010 | (127) | 38,203 |
| Interest (expense) income, net | (20,718) |) 21 | (9,740) |) — | (30,437) |
| Interest expense - unrealized loss on debt conversion option | (15,597) |) — | — | — | (15,597) |
| Other income | — | — | 1,812 | — | 1,812 |
| (Loss) income before income taxes and equity in earnings of subsidiaries and joint venture | (14,185) |) 4,211 | 4,082 | (127) | (6,019) |
| Income taxes | (1,519) |) (1,616) | (1,085) |) 35 | (4,185) |
| Equity in earnings of subsidiaries | 5,500 | — | — | (5,500) | — |
| Equity in earnings of joint venture | 6,099 | — | — | — | 6,099 |
| Net (loss) income | \$(4,105) |) \$2,595 | \$ 2,997 | \$(5,592) | \$(4,105) |
| Comprehensive (loss) income | \$(1,415) |) \$2,595 | \$ 6,016 | \$(8,611) | \$(1,415) |

Table of ContentsCondensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2013

| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|-------------|------------|----------------|--------------|--------------|
| Operating activities: | | | | | |
| Net (loss) income | \$(21,332) | \$2,947 | \$ (6,621) | \$3,674 | \$(21,332) |
| Equity in earnings of subsidiaries | 3,674 | — | — | (3,674) | — |
| Adjustments to reconcile net (loss) income to cash provided by operating activities | 76,970 | (396) | 10,460 | — | 87,034 |
| Net cash from operating activities | 59,312 | 2,551 | 3,839 | — | 65,702 |
| Investing activities: | | | | | |
| Capital expenditures | (3,803) | (1,378) | (2,401) | — | (7,582) |
| Proceeds from the sale of fixed assets | 730 | — | 35 | — | 765 |
| Net cash used in investing activities | (3,073) | (1,378) | (2,366) | — | (6,817) |
| Financing activities: | | | | | |
| Proceeds from long-term debt | 115,300 | — | — | — | 115,300 |
| Repayments of long-term debt | (151,094) | — | (4,098) | — | (155,192) |
| Net intercompany (repayments) borrowings | (2,423) | (1,524) | 3,947 | — | — |
| Other financing | 1,516 | — | (501) | — | 1,015 |
| Net cash used in financing activities | (36,701) | (1,524) | (652) | — | (38,877) |
| Effect of exchange rate changes on cash and cash equivalents | — | — | (121) | — | (121) |
| Increase (decrease) in cash and cash equivalents | 19,538 | (351) | 700 | — | 19,887 |
| Cash and cash equivalents - beginning of year | 4,106 | 903 | 16,598 | — | 21,607 |
| Cash and cash equivalents - end of period | \$23,644 | \$552 | \$ 17,298 | \$— | \$41,494 |

Table of ContentsCondensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2012

| | Parent | Guarantors | Non-Guarantors | Eliminations | Consolidated |
|---|----------|------------|----------------|--------------|--------------|
| Operating activities: | | | | | |
| Net (loss) income | \$(4,105 |) \$2,595 | \$ 2,997 | \$(5,592 |) \$(4,105) |
| Equity in earnings of subsidiaries | (5,500 |) — | — | 5,500 | — |
| Adjustments to reconcile net (loss) income to cash provided by operating activities | 8,177 | 2,736 | (19,829 |) 92 | (8,824) |
| Net cash (used in) from operating activities | (1,428 |) 5,331 | (16,832 |) — | (12,929) |
| Investing activities: | | | | | |
| Capital expenditures | (4,776 |) (1,546 |) (2,669 |) — | (8,991) |
| Proceeds from the sale of fixed assets | 22 | — | — | — | 22 |
| Net cash used in investing activities | (4,754 |) (1,546 |) (2,669 |) — | (8,969) |
| Financing activities: | | | | | |
| Proceeds from long-term debt | 566,131 | — | 10,346 | — | 576,477 |
| Repayments of long-term debt | (547,477 |) (43 |) (16,753 |) — | (564,273) |
| Payment of debt issue costs | (1,503 |) — | — | — | (1,503) |
| Net intercompany (repayments) borrowings | (19,819 |) (3,094 |) 22,913 | — | — |
| Other financing | 167 | — | 500 | — | 667 |
| Net cash from (used in) financing activities | (2,501 |) (3,137 |) 17,006 | — | 11,368 |
| Effect of exchange rate changes on cash and cash equivalents | — | — | (6 |) — | (6) |
| (Decrease) increase in cash and cash equivalents | (8,683 |) 648 | (2,501 |) — | (10,536) |
| Cash and cash equivalents - beginning of year | 12,109 | 7 | 18,408 | — | 30,524 |
| Cash and cash equivalents - end of period | \$3,426 | \$655 | \$ 15,907 | \$— | \$19,988 |

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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, as amended, for the year ended December 31, 2012. All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. Except for our ongoing obligations to disclose material information as required by the federal securities laws, we do not have any obligations or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events.

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

Executive Overview

Economic Trends and Current Business Conditions

A. M. Castle & Co. and subsidiaries (the “Company”) experienced lower demand from its Metals segment customer base in the third quarter of 2013 compared to the third quarter of 2012. The Company’s Metals segment experienced weak demand in all of its key end-use markets compared to the prior year quarter with the largest area of weakness seen in the general industrials market. Although the aerospace market remained strong in the quarter, the Company’s net sales have not yet been positively impacted by this strength due to the late cycle nature of the targeted customers in this market. Decreased sales volume in the oil and gas market is consistent with leading industry indicators which suggest a 3.3% decrease in North American rig counts compared to the third quarter of last year.

Management uses the PMI provided by the Institute for Supply Management (website is www.ism.ws) as an external indicator for tracking the demand outlook and possible trends in its general manufacturing markets. The table below shows PMI trends from the first quarter of 2011 through the third quarter of 2013. 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. Material pricing and demand in both the Metals and Plastics segments of the Company’s business have historically proven to be difficult to predict with any degree of accuracy. A favorable PMI trend suggests that demand for some of the Company’s products and services, in particular those that are sold to the general manufacturing customer base in the U.S., could potentially be at a higher level in the near-term. The Company believes that its revenue trends typically correlate to the changes in PMI on a six to twelve month lag basis.

| YEAR | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 |
|------|-------|-------|-------|-------|
| 2011 | 61.1 | 56.4 | 51.0 | 52.4 |
| 2012 | 53.3 | 52.7 | 50.3 | 50.6 |
| 2013 | 52.9 | 50.2 | 55.8 | |

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Consolidated net sales decreased \$50.3 million or 16.6% from the third quarter of 2012 due to decreased Metals segment sales volumes and pricing, partially offset by an increase in net sales in the Plastics segment. Consolidated operating loss for the third quarter of 2013 was \$3.0 million which was \$13.5 million, or 128.8%, lower than third quarter of 2012 consolidated operating income of \$10.5 million. Consolidated net loss for the third quarter of 2013 was \$6.9 million which was \$10.1 million lower than third quarter of 2012 consolidated net income of \$3.2 million . Results of Operations: Third quarter 2013 compared to third quarter 2012

Consolidated results by business segment are summarized in the following table for the quarter ended September 30, 2013 and 2012.

| | 2013 | 2012 | Favorable/(Unfavorable) | |
|----------------------------------|---------|----------|-------------------------|----------|
| | | | \$ Change | % Change |
| Net Sales | | | | |
| Metals | \$220.0 | \$272.4 | \$(52.4) | (19.2)% |
| Plastics | 33.7 | 31.6 | 2.1 | 6.7% |
| Total Net Sales | \$253.7 | \$304.0 | \$(50.3) | (16.6)% |
| Cost of Materials | | | | |
| Metals | \$162.7 | \$195.6 | \$32.9 | 16.8% |
| % of Metals Sales | 73.9 | % 71.8 | % | |
| Plastics | 24.1 | 22.4 | (1.7) | (7.4)% |
| % of Plastics Sales | 71.4 | % 70.9 | % | |
| Total Cost of Materials | \$186.8 | \$218.0 | \$31.2 | 14.3% |
| % of Total Sales | 73.6 | % 71.7 | % | |
| Operating Costs and Expenses | | | | |
| Metals | \$58.8 | \$64.4 | \$5.6 | 8.6% |
| Plastics | 8.6 | 8.2 | (0.4) | (5.0)% |
| Other | 2.5 | 2.9 | 0.4 | 14.0% |
| Total Operating Costs & Expenses | \$69.9 | \$75.5 | \$5.6 | 7.3% |
| % of Total Sales | 27.6 | % 24.8 | % | |
| Operating (Loss) Income | | | | |
| Metals | \$(1.5) |) \$12.4 | (13.9) | (112.4)% |
| % of Metals Sales | (0.7) |)% 4.6 | % | |
| Plastics | 1.0 | 1.0 | — | 3.8% |
| % of Plastics Sales | 3.1 | % 3.2 | % | |
| Other | (2.5) |) (2.9) |) 0.4 | 14.0% |
| Total Operating (Loss) Income | \$(3.0) |) \$10.5 | (13.5) | (128.8)% |
| % of Total Sales | (1.2) |)% 3.4 | % | |

“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 \$253.7 million, a decrease of \$50.3 million, or 16.6%, compared to the third quarter of 2012. Metals segment sales during the third quarter of 2013 of \$220.0 million were \$52.4 million, or 19.2%, lower than the same period last year. Plastics segment sales during the third quarter of 2013 of \$33.7 million were \$2.1 million, or 6.7% higher than the third quarter of 2012.

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Metals segment average tons sold per day decreased 15.7% compared to the prior year quarter, which was primarily driven by decreases in alloy bar, carbon and alloy plate, tubing and aluminum products. Average sales prices and product mix were lower than the prior year and combined to represent a 3.5% decline in revenue compared to third quarter of 2012. Average selling prices were lower for all metal products except alloy bar and aluminum in the third quarter of 2013, reflecting lower market prices and a more competitive environment. The increase in Plastics segment sales during the third quarter of 2013 was primarily due to increased volume and pricing reflecting continued strength in the automotive, life science and marine sectors.

Cost of Materials:

Cost of materials (exclusive of depreciation and amortization) during the third quarter of 2013 was \$186.8 million, a decrease of \$31.2 million, or 14.3%, compared to the third quarter of 2012. Cost of materials included LIFO income of \$2.4 million in the third quarter of 2013 compared to LIFO income of \$4.4 million in the third quarter of 2012.

Material costs for the Metals segment for the third quarter of 2013 were \$162.7 million, or 73.9% as a percent of net sales, compared to \$195.6 million, or 71.8% as a percent of net sales, for the third quarter of 2012. Cost of materials in the Metals segment decreased \$32.9 million compared to the third quarter of 2012 primarily as a result of the decrease in sales volume from the prior year period. Material costs for the Plastics segment of 71.4% as a percent of net sales for the third quarter of 2013 were higher than 70.9% for the same period last year due to higher automotive and marine raw material costs resulting from increased demand in these businesses.

Operating Expenses and Operating Income:

On a consolidated basis, operating costs and expenses decreased \$5.6 million, or 7.3%, from \$75.5 million, or 24.8% of net sales, in the third quarter of 2012 to \$69.9 million, or 27.6% of net sales, during the third quarter of 2013.

Charges of \$0.9 million associated with the Company's restructuring were included in operating costs and expenses for the three months ended September 30, 2013 compared to no such charges in the prior year period. The restructuring charges impacting operating expenses in the third quarter of 2013 were cash charges and were in-line with the Company's expectations.

The decrease in operating expenses for the third quarter of 2013 compared to the third quarter of 2012 primarily relates to the following:

Warehouse, processing and delivery costs decreased by approximately \$2.1 million primarily as a result of the decrease in sales activity in the Metals segment for the period as well as cost decreases from the Company's recent restructuring activities;

Sales, general and administrative costs decreased by \$4.5 million primarily as a result of a decrease of \$3.0 million in compensation and benefits costs of which \$2.1 million is attributable to the Company's recent restructuring activities and the remainder is due to lower variable compensation.

Consolidated operating loss for the third quarter of 2013, including restructuring charges of \$0.9 million, was \$3.0 million compared to operating income of \$10.5 million for the same period last year.

Other Income and Expense, Income Taxes and Net Income:

Interest expense, net was \$10.2 million in the third quarter of 2013, a decrease of \$0.1 million compared to the same period last year.

Other income related to foreign currency transaction gains was \$0.2 million in the third quarter of 2013 compared to other income of \$2.1 million for foreign currency transaction gains in the same period last year. These gains relate to foreign currency transactions and unhedged intercompany financing arrangements.

The Company recorded an income tax benefit of \$4.3 million for the quarter ended September 30, 2013 compared to income tax expense of \$0.5 million for the same period last year. The Company's effective tax rate is expressed as 'Income taxes', which includes tax expense on the Company's share of joint venture earnings, as a percentage of 'Loss before income taxes and equity in earnings of joint venture.' The effective tax rate for the quarters ended September 30, 2013 and 2012 was 32.8% and 20.0%, respectively. The Company updates its expected annual effective tax rate throughout the year for discrete items and changes in the mix of geographical income (loss). The restructuring charges recognized in the quarter ended September 30, 2013 were treated as discrete items in the period. Equity in earnings of the Company's joint venture was \$1.9 million in the third quarter of 2013 and \$1.4 million in the same period last year.

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Consolidated net loss for the third quarter of 2013 was \$6.9 million, or \$0.30 per diluted share, compared to net income of \$3.2 million, or \$0.13 per diluted share, for the same period in 2012.

Results of Operations: Nine months 2013 compared to nine months 2012

Consolidated results by business segment are summarized in the following table for the nine months ended September 30, 2013 and 2012.

| | 2013 | 2012 | Favorable/(Unfavorable) | | |
|----------------------------------|---------|----------|-------------------------|----------|----|
| | | | \$ Change | % Change | |
| Net Sales | | | | | |
| Metals | \$717.8 | \$901.5 | \$(183.7) | (20.4) |)% |
| Plastics | 102.0 | 94.8 | 7.2 | 7.6 | % |
| Total Net Sales | \$819.8 | \$996.3 | \$(176.5) | (17.7) |)% |
| Cost of Materials | | | | | |
| Metals | \$534.6 | \$655.9 | \$121.3 | 18.5 | % |
| % of Metals Sales | 74.5 | % 72.8 | % | | |
| Plastics | 73.1 | 66.8 | (6.3) | (9.4) |)% |
| % of Plastics Sales | 71.6 | % 70.5 | % | | |
| Total Cost of Materials | \$607.7 | \$722.7 | \$115.0 | 15.9 | % |
| % of Total Sales | 74.1 | % 72.5 | % | | |
| Operating Costs and Expenses | | | | | |
| Metals | \$187.6 | \$201.2 | \$13.6 | 6.8 | % |
| Plastics | 26.0 | 25.4 | (0.6) | (2.5) |)% |
| Other | 6.3 | 8.8 | 2.5 | 28.5 | % |
| Total Operating Costs & Expenses | \$219.9 | \$235.4 | \$15.5 | 6.6 | % |
| % of Total Sales | 26.8 | % 23.6 | % | | |
| Operating Income | | | | | |
| Metals | \$(4.4) |) \$44.4 | \$(48.8) | (109.9) |)% |
| % of Metals Sales | (0.6) |)% 4.9 | % | | |
| Plastics | 2.9 | 2.6 | 0.3 | 12.9 | % |
| % of Plastics Sales | 2.9 | % 2.7 | % | | |
| Other | (6.3) |) (8.8) |) 2.5 | 28.5 | % |
| Total Operating Income | \$(7.8) |) \$38.2 | \$(46.0) | (120.3) |)% |
| % of Total Sales | (0.9) |)% 3.8 | % | | |

“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 \$819.8 million, a decrease of \$176.5 million, or 17.7%, compared to the first nine months of 2012. Metals segment sales during the nine months ended September 30, 2013 of \$717.8 million were \$183.7 million, or 20.4%, lower than the same period last year. Key end markets have been weak and there has been lower demand for the Company's Metals segment products compared to the first nine months of 2012. For the first nine months of the year, the Metal segment's average tons sold per day decreased 19.2% compared to the first nine months of 2012, which was primarily driven by decreases in alloy bar, tubing, carbon and alloy plate and SBQ bar products. Plastics segment sales during the first nine months of 2013 of \$102.0 million were \$7.2 million, or 7.6% higher than the first nine months of 2012 due to higher sales volumes primarily driven by strength in the automotive, life science and marine sectors.

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Cost of Materials:

Cost of materials (exclusive of depreciation and amortization) during the first nine months of 2013 was \$607.7 million, a decrease of \$115.0 million, or 15.9%, compared to the first nine months of 2012. Cost of materials included LIFO income of \$4.7 million in the first nine months of 2013 compared to LIFO expense of \$1.7 million in the first nine months of 2012. In addition, restructuring charges of \$1.2 million impacted cost of materials in the first nine months of 2013.

Material costs for the Metals segment for the first nine months of 2013 were \$534.6 million, or 74.5% as a percent of net sales, compared to \$655.9 million, or 72.8% as a percent of net sales, for the first nine months of 2012. Cost of materials in the Metals segment decreased \$121.3 million compared to the first nine months of 2012 primarily as a result of the decrease in demand from the prior year period. Material costs for the Plastics segment of 71.6% as a percent of net sales for the first nine months of 2013 were higher compared to 70.5% for the same period last year due to higher raw material costs experienced in the industry.

Operating Expenses and Operating Income:

On a consolidated basis, operating costs and expenses decreased \$15.5 million, or 6.6%, compared to the first nine months of 2012. Operating costs and expenses, including restructuring charges of \$8.7 million, were \$219.9 million, or 26.8% of net sales, compared to \$235.4 million, or 23.6% of net sales during the first nine months of 2012. There were no restructuring charges included in the operating costs and expenses for the first nine months of 2012. The restructuring charges impacting operating expenses were cash charges and were in-line with the Company's expectations.

The decrease in operating expenses for the first nine months of 2013 compared to the first nine months of 2012 primarily relates to the following:

Warehouse, processing and delivery costs decreased by approximately \$7.7 million primarily as a result of the decrease in sales activity in the Metals segment for the period, cost decreases resulting from the recent restructuring activities, and a decrease of \$2.4 million in compensation and benefit costs, partially attributable to the Company's recent restructuring activities;

Sales, general and administrative costs decreased by \$16.8 million primarily as a result of a decline of \$10.3 million in compensation and benefits costs of which \$6.6 million is attributable to the Company's recent restructuring activities and the remainder is due to lower variable compensation and other compensation and benefits.

Consolidated operating loss for the nine months ended September 30, 2013, including restructuring charges of \$9.9 million, was \$7.8 million compared to operating income of \$38.2 million for the same period last year.

Other Income and Expense, Income Taxes and Net Income:

Interest expense was \$30.5 million in the first nine months of 2013, a decrease of \$15.6 million versus the same period last year as a result of the decrease in interest charges associated with the unrealized loss on the conversion option associated with the convertible debt, which is no longer required to be marked-to-market through earnings.

Other expense related to foreign currency transaction losses was \$1.4 million in the first nine months of 2013 compared to \$1.8 million of foreign currency transaction gains for the same period last year. The majority of these transaction losses and gains related to unhedged intercompany financing arrangements between the United States and the United Kingdom and Canada, respectively.

The Company recorded an income tax benefit of \$13.5 million for the year to date September 30, 2013 compared to tax expense of \$4.2 million for the same period last year. The Company's effective tax rate is expressed as 'Income taxes', which includes tax expense on the Company's share of joint venture earnings, as a percentage of 'Income before income taxes and equity in earnings of joint venture.' The effective tax rate for year to date September 30, 2013 and 2012 was 34.0% and (69.5)%, respectively. The change in the effective tax rate compared to the first nine months of 2012 was primarily the result of the non-deductibility of the unrealized loss on the conversion option associated with the convertible debt in the nine months ended September 30, 2012, as well as the restructuring charges which were treated as discrete items in the nine months ended September 30, 2013 and a change in the geographical mix of income (loss).

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Equity in earnings of the Company's joint venture was \$4.8 million in the nine months ended September 30, 2013, which was \$1.3 million less than the same period last year. Lower demand and pricing for Kreher's products was the primary factor contributing to the decrease in equity in earnings of the Company's joint venture.

Consolidated net loss for the nine months ended September 30, 2013 was \$21.3 million, or \$0.92 per diluted share, compared to a net loss of \$4.1 million, or \$0.18 per diluted share, for the same period in 2012.

Liquidity and Capital Resources

Cash and cash equivalents increased by \$19.9 million for the nine months ended September 30, 2013 compared to a decrease of \$10.5 million for the same period last year.

The Company's principal sources of liquidity are cash provided by operations and available borrowing capacity to fund working capital needs and growth initiatives. Cash from operations for the nine months ended September 30, 2013 was \$65.7 million compared to cash used in operations of \$12.9 million for the nine months ended September 30, 2012. Specific components of the change in working capital are highlighted below:

During the nine months ended September 30, 2013, higher accounts receivable resulted in \$9.1 million of cash flow use compared to an \$11.9 million cash flow source from lower accounts receivable for the same period last year.

Average receivable days outstanding was 50.6 days for the nine months ended September 30, 2013 compared to 48.6 for the nine months ended September 30, 2012.

During the nine months ended September 30, 2013, lower inventory levels were a \$59.0 million cash flow source compared to \$82.6 million of cash flow use for the nine months ended September 30, 2012 from higher inventory levels. Average days sales in inventory was 177.2 days for the nine months ended September 30, 2013 compared to 182.1 days for the nine months ended September 30, 2012.

During the nine months ended September 30, 2013, increases in accounts payable and accrued liabilities were a \$28.3 million cash flow source compared to a \$30.8 million cash flow source for the same period last year. Accounts payable days outstanding was 38.9 days for the first nine months of 2013 compared to 56.2 days for the same period last year.

In December 2011, in conjunction with the acquisition of Tube Supply (the "Acquisition"), the Company issued \$225.0 million aggregate principal amount of 12.75% Senior Secured Notes due 2016, \$57.5 million aggregate principal amount of 7.0% Convertible Senior Notes due 2017 and entered into a \$100.0 million senior secured asset based revolving credit facility (the "Revolving Credit Facility"). Net proceeds of \$304.6 million were used to complete the Acquisition, pay-off amounts outstanding under our previous credit agreement and for general corporate purposes. Historically, the Company's primary uses of liquidity and capital resources have been capital expenditures, payments on debt (including interest payments), acquisitions and dividend payments. Management believes the Company will be able to generate sufficient cash from operations and planned working capital improvements to fund its ongoing capital expenditure programs and meet its debt obligations for at least the next twelve months. Furthermore, the Company has available borrowing capacity under the Revolving Credit Facility. The Company's debt agreements impose significant operating and financial restrictions which may prevent the Company from certain business opportunities such as, making acquisitions or paying dividends, among other things. The Revolving Credit Facility contains a springing financial maintenance covenant requiring the Company to maintain the ratio (as defined in the agreement) of EBITDA to fixed charges of 1.1 to 1.0 when excess availability is less than the greater of 10% of the calculated borrowing base (as defined in the agreement) or \$10.0 million. In addition, if excess availability is less than the greater of 12.5% of the calculated borrowing base (as defined in the agreement) or \$12.5 million, the lender has the right to take full dominion of the Company's cash collections and apply these proceeds to outstanding loans under the Revolving Credit Agreement ("cash dominion"). Based on the Company's cash projections, it does not anticipate a scenario whereby cash dominion would occur during the next twelve months.

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The Company is committed to maintaining a strong financial position through maintaining sufficient levels of available liquidity, managing working capital and monitoring the Company's overall capitalization. Cash and cash equivalents at September 30, 2013 were \$41.5 million, and the Company had \$89.8 million of available borrowing capacity under its Revolving Credit Facility. Approximately 58.3% of the Company's consolidated cash and cash equivalents balance resides in the United States. As foreign earnings are permanently reinvested, availability under the Company's Revolving Credit Facility would be used to fund operations in the United States should the need arise in the future.

Working capital at September 30, 2013 was \$323.8 million compared to \$379.3 million at December 31, 2012. The decrease in working capital is primarily due to lower inventory of \$60.1 million, higher accounts payable of \$17.8 million and higher accrued liabilities of \$8.9 million partially offset by higher cash and cash equivalents of \$19.9 million and higher accounts receivable of \$8.4 million, comparatively from December 31, 2012 to September 30, 2013.

The Company monitors its overall capitalization by evaluating total debt to total capitalization. Total debt to total capitalization is defined as the sum of short- and long-term debt, divided by the sum of total debt and stockholders' equity. Total debt to total capitalization was 44.9% at September 30, 2013 and 46.8% at December 31, 2012. Over the long-term, the Company plans to continue to improve its total debt to total capitalization by improving operating results, managing working capital and using cash generated from operations to repay outstanding debt. As and when permitted by term of agreements noted above, depending on market conditions, the Company may decide in the future to refinance, redeem or repurchase its debt and take other steps to reduce its debt or lease obligations or otherwise improve its overall financial position.

Cash paid for capital expenditures for the nine months ended September 30, 2013 was \$7.6 million, a decrease of \$1.4 million compared to the same period last year. Management believes that annual capital expenditures will be between \$10.0 million and \$12.0 million in 2013.

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:

| | |
|-----------------|---------|
| 2013 | \$0.1 |
| 2014 | 0.4 |
| 2015 | 0.4 |
| 2016 | 225.2 |
| 2017 | 57.5 |
| 2018 and beyond | — |
| Total debt | \$283.6 |

As of September 30, 2013, the Company had \$6.7 million of irrevocable letters of credit outstanding, which primarily consisted of \$4.0 million for collateral associated with commodity hedges and \$1.9 million for compliance with the insurance reserve requirements of its workers' compensation insurance carriers.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to interest rate, commodity price and foreign exchange rate risks that arise in the normal course of business. There have been no significant or material changes to such risks since December 31, 2012. Refer to Item 7a in the Company's Annual Report on Form 10-K, as amended, filed for the year ended December 31, 2012 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 ("CEO") and Chief Financial Officer ("CFO"), 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). Based upon that review and evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

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(b) Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15 and 15d-15 under the Exchange Act that occurred during the three months ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings

(Amounts in millions)

During the quarter ended March 31, 2013, the Company received warranty and other claims from certain customers regarding alleged quality defects with certain alloy round bar products sold by the Company in 2012 and 2013. The Company evaluated the information provided by the customers and issued a notice of potential defect to other affected customers. As previously reported, the Company estimated that it may incur costs for warranty and other customer claims associated with the alleged quality defects from \$0.3 million to \$1.3 million. Based on the information available as of September 30, 2013, the Company increased its best estimate of the probable loss resulting from these claims from its previous estimate of \$0.7 million to \$1.2 million of which approximately \$0.2 million and \$0.9 million are included in cost of materials for the three and nine months ended September 30, 2013, respectively. The Company believes that amounts paid to customers will be recoverable from the original supplier of the products. There can be no assurance that the Company's losses related to these claims will not exceed the Company's estimated range of loss, or that the Company will be able to recover any amounts from the original supplier of the products.

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 July 1, 2013, receipt of approximately 476 shares was deferred as payment for the board compensation. The shares were acquired at a price of \$15.74 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 6. Exhibits

| Exhibit No. | Description |
|-------------|--|
| 3.4 | Articles Supplementary of A.M. Castle & Co. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on August 14, 2013. Commission File No. 1-05415. |
| 3.5 | Amended and Restated Bylaws of A.M. Castle & Co. adopted August 13, 2013. Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on August 14, 2013. Commission File No. 1-05415. |
| 4.4 | Amendment No. 1 to Rights Agreement, dated as of August 13, 2013, by and between A.M. Castle & Co. and American Stock Transfer & Trust Company, LLC, as Rights Agent. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on August 14, 2013. Commission File No. 1-05415. |
| 10.38* | Employment Offer Letter dated July 1, 2013, between A.M. Castle & Co. and Mr. Steve Letnich. |
| 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 |
| 101.INS | XBRL Instance Document ⁽¹⁾ |
| 101.SCH | XBRL Taxonomy Extension Schema Document ⁽¹⁾ |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document ⁽¹⁾ |
| 101.LAB | XBRL Taxonomy Label Linkbase Document ⁽¹⁾ |

101.PRE XBRL Taxonomy Presentation Linkbase Document ⁽¹⁾

Furnished with this report. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall (1) not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section, and shall not be incorporated by

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reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

*This agreement is considered a compensatory plan or arrangement.

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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.

Date: October 31, 2013

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

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Exhibit Index

The following exhibits are filed herewith or incorporated herein by reference:

| Exhibit No. | Description | Page |
|-------------|--|------|
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*This agreement is considered a compensatory plan or arrangement.