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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) November 7, 2006

A. M. Castle & Co.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

1-5415
(Commission
File Number)

36-0879160
(IRS Employer
Identification No.)

3400 N. Wolf Road, Franklin Park, Illinois
(Address of principal executive offices)

60131
(Zip Code)

Registrant's telephone number including area code 847-349-2516

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13 e-4(c) under the Exchange Act (17 CFR 240.13 e-4(c))
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Explanatory Note:

This Current Report on Form 8-K/A amends and supplements the Current Report filed by A. M. Castle & Co. on September 8, 2006 (the initial Form 8-K) with the Securities Exchange Commission relating to its acquisition of Transtar Intermediate Holdings #2, Inc. (“Transtar”) that occurred on September 5, 2006. The purpose of this Current Report on Form 8-K/A (Amendment No. 1) is to (i) correct a typographical error in the name of the acquired company which is Transtar Intermediate Holdings #2, Inc., a Delaware corporation and not Transtar Holdings #2, LLC as shown on the first line of Item 2.01, (ii) include financial statements required by item 9.01, (iii) amending the previously filed pro forma financials principally to reflect deferred taxes on the acquired intangible assets, and (iv) the consent of Deloitte & Touche LLP.

Item 2.01 Completion of Acquisition or Disposition of Assets.

On September 5, 2006 the Company completed its acquisition of Transtar Intermediate Holdings #2, Inc. (“Transtar”), a wholly owned subsidiary of H.I.G. Transtar Inc. The acquisition was completed pursuant to the Stock Purchase Agreement, dated August 12, 2006 (the “Agreement”). Transtar’s assets consist primarily of receivables, inventory, customer and supplier contracts, and identifiable intangibles including but not limited to customer lists, product processes and trademarks. In addition Transtar retained \$1.1 million of foreign debt secured by the assets of Transtar’s foreign subsidiaries. The Company acquired all of the outstanding common stock of Transtar, and Transtar will operate as a wholly owned subsidiary of the Company.

The total consideration paid by the Company for all outstanding shares of Transtar was \$175,783,000, comprised of \$30,919,000 from cash on hand and \$144,864,000 from bank borrowings. An escrow in the amount of \$18 million funded from the purchase price was established to satisfy H.I.G. Transtar Inc.’s indemnification obligations under the Agreement.

The description of the acquisition of Transtar set forth above does not purport to be complete and is qualified in its entirety by reference to the Stock Purchase Agreement that was filed by the Company as Exhibit 2.1 to the Current Report on Form 8-K filed on August 17, 2006 (the “Castle 8-K”). The description of the Stock Purchase Agreement remains subject to the qualifications set forth in the Castle 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

Independent Auditors’ Report

Audited Financial Statements for Transtar

Consolidated Balance Sheet as of December 31, 2004 and 2005

Consolidated Statements of Income for the years ended December 31, 2004 and 2005

Consolidated Statements of Cash Flows for the years ended December 31, 2004 and 2005

Notes to Consolidated Financial Statements for the years ended December 31, 2004 and 2005

Unaudited Financial Statements for Transtar

Consolidated Balance Sheet as of December 31, 2005 and June 30, 2006

Consolidated Statements of Income for the six months ended June 30, 2005 and 2006

Consolidated Statements of Cash Flows for the six months ended June 30, 2005 and 2006

Notes to Consolidated Financial Statements for the six months ended June 30, 2006

(b) Pro Forma Financial Information — previously filed

Unaudited Pro Forma Condensed Combined Statements of Operations for the six months ended June 30, 2006

Unaudited Pro Forma Condensed Combined Statements of Operations for the year ended December 31, 2005

Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2006

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(d) Exhibits

10.11 Amended and Restated Credit Agreement, dated September 5, 2005, by and between A. M. Castle & Co., and Bank of America, N.A., as U.S. Agent, Bank of America, N.A., Canadian Branch as Canadian Agent, JPMorgan Chase Bank, N.A. as Syndication Agent and LaSalle Business Credit, LLC as Documentation Agent — previously filed

10.12 Guarantee Agreement, dated September 5, 2005, by and between the Company and the Guarantee Subsidiaries — previously filed

10.13 Amended and Restated Collateral Agency and Intercreditor Agreement, dated September 5, 2005, by and among A. M. Castle & Co., Bank of America, N.A., as Collateral Agent, Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company and the Northern Trust Company — previously filed

10.14 Amended and Restated Security Agreement, dated September 5, 2005, among the Company and the Guarantee Subsidiaries — previously filed

10.15 Guarantee Agreement, dated September 5, 2005, by and between the Company and Canadian Lender and Bank of America, N.A. Canadian Branch, as Canadian Agent — previously filed

10.16 Amendment No.1 to Note Agreement, dated September 5, 2005, between the Company and The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company Amendment. — previously filed

23.1 Consent of Deloitte & Touche LLP

SIGNATURES

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 hereunto duly authorized.

A. M. Castle & Co.

By: Lawrence A. Boik

November 7, 2006

Name: Lawrence A. Boik

Title: Vice President Finance & CFO

***Transtar Intermediate
Holdings #2, Inc.***

*Consolidated Financial Statements for the
Years Ended December 31, 2005 and 2004,
and Independent Auditors' Report*

TRANSTAR INTERMEDIATE HOLDINGS #2, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Transtar Intermediate Holdings #2, Inc
Torrance, CA

We have audited the accompanying consolidated balance sheets of Transtar Intermediate Holdings #2, Inc. and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Los Angeles, California
November 6, 2006

TRANSTAR INTERMEDIATE HOLDINGS #2, INC.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

(In thousands except for share amounts)

	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash	\$ 555	\$ 2,650
Accounts receivable, net of allowance for returns and doubtful accounts of \$1,124 and \$871 at December 31, 2005 and 2004, respectively	29,482	27,591
Inventories	63,317	59,351
Prepaid income taxes	753	
Prepaid expenses and other current assets	<u>1,672</u>	<u>1,729</u>
Total current assets	95,779	91,321
PROPERTY, PLANT, AND EQUIPMENT—Net of accumulated depreciation and amortization (Note 3)	2,316	1,484
DEFERRED LOAN COSTS—Net (Note 5)	559	853
OTHER ASSETS	176	161
DEFERRED INCOME TAXES (Note 4)	<u>324</u>	<u>—</u>
TOTAL	<u>\$ 99,154</u>	<u>\$ 93,819</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Revolving credit facilities (Note 5)	\$ 52,794	\$ 49,347
Current maturities of term loans (Note 5)	267	524
Current maturities of capital lease obligations (Note 6)	371	324
Accounts payable	17,219	22,777
Accrued expenses, employee compensation, and benefits (Note 7)	2,835	2,550
Other accrued liabilities	2,172	1,980
Deferred income taxes (Note 4)	<u>2,156</u>	<u>1,628</u>
Total current liabilities	77,814	79,130
TERM LOAN—Less current portion (Note 5)	1,182	1,993
CAPITAL LEASE OBLIGATIONS—Less current portion (Note 6)	478	419
OTHER LIABILITIES	376	422
DEFERRED INCOME TAXES (Note 4)	<u>36</u>	<u>—</u>
Total liabilities	<u>79,886</u>	<u>81,964</u>
STOCKHOLDER'S EQUITY:		
Common stock, \$0.01 par value—1,000 shares authorized, issued, and outstanding		
Additional paid-in capital	4,000	4,000
Retained earnings	14,778	6,636
Accumulated other comprehensive income	<u>490</u>	<u>1,219</u>
Total stockholder's equity	<u>19,268</u>	<u>11,855</u>
TOTAL	\$ 99,154	\$ 93,819

TRANSTAR INTERMEDIATE HOLDINGS #2, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2005 AND 2004

(In thousands)

	2005	2004
NET SALES	\$223,977	\$166,029
COSTS AND EXPENSES:		
Cost of sales	159,362	123,159
Warehouse, delivery, selling, and general and administrative	<u>48,502</u>	<u>44,231</u>
OPERATING INCOME (LOSS)	16,113	(1,361)
INTEREST EXPENSE	(3,607)	(4,640)
OTHER INCOME (EXPENSE)	<u>64</u>	<u>(356)</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX (PROVISION) BENEFIT	12,570	(6,357)
INCOME TAX (PROVISION) BENEFIT (Note 4)	<u>(3,450)</u>	<u>2,906</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>9,120</u>	<u>(3,451)</u>
DISCONTINUED OPERATIONS (Note 8):		
Income from operations of Marine business (including gain on disposal of \$1,864)		1,986
Income tax provision		<u>(775)</u>
INCOME FROM DISCONTINUED OPERATIONS	<u>—</u>	<u>1,211</u>
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	9,120	(2,240)
EXTRAORDINARY ITEM—Negative goodwill arising from purchase accounting adjustments, net of taxes of \$663		<u>1,037</u>
NET INCOME (LOSS)	<u>\$ 9,120</u>	<u>\$ (1,203)</u>

See notes to consolidated financial statements.

TRANSTAR INTERMEDIATE HOLDINGS #2, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY YEARS ENDED DECEMBER 31, 2005 AND 2004

(In thousands except for share amounts)

	Common Stock		Additional Paid-In Capital	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
BALANCE—January 1, 2004	1,000	\$ —	\$ 4,000		\$11,839	\$ 889	\$16,728
Comprehensive income:							
Net loss				\$ (1,203)	(1,203)		(1,203)
Other comprehensive income—net of tax— foreign currency translation adjustments				330		330	330
Total comprehensive income				<u>\$ (873)</u>			
Dividends paid					<u>(4,000)</u>		<u>(4,000)</u>
BALANCE—December 31, 2004	1,000	—	4,000		6,636	1,219	11,855
Comprehensive income:							
Net income				\$ 9,120	9,120		9,120
Other comprehensive loss—net of tax— foreign currency translation adjustments				(729)		(729)	(729)
Total comprehensive income				<u>\$ 8,391</u>			
Distribution					(348)		(348)
Dividends paid					<u>(630)</u>		<u>(630)</u>
BALANCE—December 31, 2005	<u>1,000</u>	<u>\$ —</u>	<u>\$ 4,000</u>		<u>\$14,778</u>	<u>\$ 490</u>	<u>\$19,268</u>

See notes to consolidated financial statements.

TRANSTAR INTERMEDIATE HOLDINGS #2, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005 AND 2004

(In thousands)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 9,120	\$ (1,203)
Extraordinary item		(1,037)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	522	278
Allowance for returns and doubtful accounts	267	(632)
Stock-based compensation		521
Amortization of deferred loan costs	299	540
Loss on extinguishment of debt		572
Deferred income taxes	226	(3,041)
Gain on sale of fixed assets	(536)	(17)
Gain from discontinued operations—net of items not affecting cash		(1,089)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(2,822)	(9,349)
Decrease in other receivables		1,508
Increase in inventories	(5,082)	(7,787)
Increase in prepaids and other assets	(754)	(294)
(Decrease) increase in accounts payable	(5,056)	1,207
Increase (decrease) in accrued liabilities	537	(320)
Decrease in other liabilities	(47)	(34)
Net cash used in operating activities	<u>(3,326)</u>	<u>(20,177)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from legal settlement		1,700
Net proceeds from sale of Marine assets		5,630
Purchase of property, plant, and equipment	(911)	(530)
Proceeds from sale of property, plant, and equipment	<u>564</u>	<u>17</u>
Net cash (used in) provided by investing activities	<u>(347)</u>	<u>6,817</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolver borrowings	3,582	49,314
Payments made on revolver borrowings		(29,681)
Proceeds from term loan borrowings		2,728
Payments made on term loan borrowings	(1,058)	(220)
Payments made on capital leases	(386)	(347)
Payments made on notes payable		(71)
Payments made on related party note payable		(2,000)
Distribution	(348)	
Dividends paid	(630)	(4,000)
Increase in deferred loan costs	<u>(5)</u>	<u>(869)</u>
Net cash provided by financing activities	<u>1,155</u>	<u>14,854</u>
EFFECT OF EXCHANGE RATE ON CASH	<u>423</u>	<u>(225)</u>
NET (DECREASE) INCREASE IN CASH	(2,095)	1,269
CASH—Beginning of the year	<u>2,650</u>	<u>1,381</u>
CASH—End of year	<u>\$ 555</u>	<u>\$ 2,650</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		

TRANSTAR INTERMEDIATE HOLDINGS #2, INC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004**

(Amounts in thousands, except share and per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business—Transtar Intermediate Holdings #2, Inc. (the “Company”), through its wholly-owned subsidiary, Transtar Metals Holdings, Inc. (“Transtar Metals”), is a supplier of aluminum and related products and services to the transportation industry, particularly the aerospace and defense segments. The Company distributes its products from regional facilities to domestic and international aircraft manufacturers and defense contractors, among others.

The Company is a wholly owned subsidiary of Transtar Holdings, LLC (“Transtar”), an equity investment of H.I.G. Transtar, Inc. (“H.I.G. Transtar”) and certain members of management. H.I.G. Transtar is an equity investment of H.I.G. Capital Partners II, L.P., H.I.G. Capital, LLC, H.I.G. Capital Partners III, L.P., H.I.G. Investment Group III, L.P., H.I.G. Investment Group II, L.P., and certain individuals.

Principles of Consolidation—The consolidated financial statements include the accounts of the Company, a Delaware corporation and its wholly owned direct subsidiary, Transtar Metals (previously Transtar Intermediate Holdings, Inc.). Subsidiaries of Transtar Metals include Transtar Inventory Corp., Transtar Metals Corp. (previously Transtar Metals Acquisition Corp.), Transtar Metals Limited (a UK corporation) (previously Tiernay Metals Limited), Tiernay Transtar Metals SA (a French corporation formed in 2004, which is a wholly owned subsidiary of Transtar Metals Limited), and Transtar Marine Corp.

Basis of Presentation—The Company was formed in connection with the acquisition of Transtar Metals effective December 31, 2002. The acquisition has been accounted for as a purchase in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 141, *Business Combinations*. Accordingly, the acquired assets and liabilities have been recorded at fair value. As the sum of the amounts assigned to assets acquired and liabilities assumed exceeded the cost of the acquired entity, the excess has been allocated as a reduction of the amounts that otherwise would have been assigned to certain acquired assets. The excess that remained after reducing to \$0 the amounts that would have been otherwise assigned to those assets has been recognized as an extraordinary gain (see Note 2).

Related-Party Transactions—H.I.G. Transtar charged the Company management fees in the amount of \$1,025 and \$1,270 for the years ended December 31, 2005 and 2004, respectively, which are included in the consolidated statement of operations as a general and administrative expense. At the time of the acquisition the Company entered into a \$2,000 demand note payable with Transtar which incurred interest at a rate of 2%. The note principal was repaid in 2004.

Revenue Recognition—Product revenues are recognized upon transfer of title and risk of loss, generally upon shipment, and are recorded net of discounts and estimated allowances for sales returns.

Concentration of Credit Risk—Financial instruments that subject the Company to credit risk consist principally of cash and accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains an allowance for potential credit losses. The Company also evaluates the creditworthiness of the financial institutions with which it conducts business.

Foreign Currencies—The currency effects of translating the financial statements of the Company’s foreign operations, which operate in local currency environments, are included in the accumulated other comprehensive income component of stockholder’s equity. Gains and losses resulting from foreign currency transactions are included in consolidated results of operations and were not material.

Inventories—Inventories, consisting primarily of aluminum available for sale, are stated at the lower of cost or market determined by the last-in, first-out (“LIFO”) and first-in, first-out (“FIFO”) methods using the specific identification costing convention. At December 31, 2005 and 2004, approximately 70.2% and 62.7%, respectively, of consolidated inventories are stated on the basis of LIFO. The remaining inventories are stated on the statutory basis of FIFO primarily within locations outside of the United States. If the FIFO method had been used, these inventories would have been \$8,362 and \$1,648 higher at December 31, 2005 and 2004, respectively.

Property, Plant, and Equipment—Property, plant, and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated 3- to 10-year useful lives of the related assets. Leasehold improvements are amortized over the shorter of the estimated lives of the assets or the terms of the leases.

Income Taxes—The Company accounts for income taxes under the asset and liability method of accounting, whereby income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates in effect for the years in which those temporary differences are expected to be recovered or settled.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those used in the preparation of the balance sheets.

Stock Based Compensation—Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (“SFAS No. 123”), establishes the use of the fair value method of accounting for stock-based compensation arrangements under which compensation cost is determined using the fair value of the stock award as of the date of grant and is recognized over the periods in which the related services are rendered. The statement also permits companies to elect to continue using the intrinsic value accounting method specified in Accounting Principles Board Opinion No. 25 (“APB Opinion No. 25”), *Accounting for Stock Issued to Employees*, to account for stock-based compensation issued to employees. The Company has elected to account for stock-based employee compensation in accordance with the provisions of APB Opinion No. 25 and Financial Accounting Standards Board (“FASB”) Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*, and comply with the disclosure requirements of SFAS No. 123. For the years ending December 31, 2005 and 2004, the result of applying the fair value based method on stock-based employee compensation approximates the result of applying the intrinsic value method.

Recent Accounting Pronouncements—In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* (“SFAS 123R”). SFAS 123R will require that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS 123R covers a wide range of share-based compensation arrangements, including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share

purchase plans. SFAS 123R replaces SFAS No. 123, and supersedes APB Opinion No. 25. SFAS 123R will be effective for the Company for awards granted on or after January 1, 2006. The Company has not determined the impact the adoption of SFAS 123R will have on the consolidated financial statements.

On July 13, 2006, FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109" ("FIN No. 48"). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN No. 48 prescribes a recognition threshold and measurement principles for financial statements of tax positions taken or expected to be taken on a tax return. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company has not yet determined the impact this interpretation will have on its consolidated financial position and results of operations.

In September 2006 the FASB issued SFAS No. 157, "Fair Value Measurement" ("SFAS No. 157"). Among other items, SFAS No. 157 was issued to eliminate the diversity in practice that exists due to the different definitions of fair value and the limited guidance in applying these definitions. SFAS No. 157 encourages entities to combine fair value information disclosed under SFAS No. 157 with other accounting pronouncements, including SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", where applicable. The guidance in this statement applies to derivatives and other financial instruments measured at fair value under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", at initial and in all subsequent periods. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company has not yet determined the impact this interpretation will have on its consolidated financial position and results of operations.

2. ACQUISITION

Effective December 31, 2002, Transtar, through its subsidiaries, acquired the business of Transtar Metals, Inc. The purchase price allocation was completed in 2003. However, during 2004 a legal settlement of \$1,700 was received from the sellers. As the amount related to disputed purchase price adjustments, the \$1,700 (\$1,037 net of tax) was recorded as a reduction in the purchase price.

In accordance with SFAS No. 141, the acquired assets and liabilities have been recorded at fair value. As the fair value of the net assets exceeded the purchase price, all long-term assets except for the plant, which was sold in 2003, were valued at \$0. The sold plant was valued at the net proceeds from the sale.

The following table as adjusted through December 31, 2004, summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition (in thousands):

Current assets	\$ 61,805
Other assets (primarily plant held for sale)	<u>4,117</u>
Total assets acquired	<u>65,922</u>
Current liabilities	24,503
Other noncurrent liabilities	241
Long-term debt	<u>540</u>
Total liabilities assumed	<u>25,284</u>
Net assets acquired	40,638
Excess of fair value of acquired net assets over cost	<u>(15,050)</u>
Acquisition cost	<u>\$ 25,588</u>

The remaining excess of \$14,985 after reducing to \$0 the amounts that would have been otherwise assigned to those assets has been recognized as negative goodwill and recorded as an extraordinary gain.

3. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of December 31, 2005 and 2004, consist of the following (in thousands):

	Useful Lives	2005	2004
Building improvements	10 years	\$ —	\$ 7
Leasehold improvements	Lease term not to exceed economic life of related asset	162	152
Machinery and equipment	10 years	1,785	965
Transportation equipment	7 years	9	48
Furniture and fixtures	7 years	263	86
Computer equipment	3 years	<u>958</u>	<u>584</u>
		3,177	1,842
Less accumulated depreciation and amortization		<u>(861)</u>	<u>(358)</u>
Property, plant, and equipment—net		<u>\$ 2,316</u>	<u>\$ 1,484</u>

4. INCOME TAXES

The provision (benefit) for income taxes is summarized below (in thousands):

	2005	2004
Current—federal	\$ 2,761	\$ —
Current—state	415	127
Current—foreign	34	
Deferred	<u>240</u>	<u>(3,033)</u>
Total	<u>\$ 3,450</u>	<u>\$ (2,906)</u>

The provision (benefit) for income taxes is allocated between operations and the extraordinary item and is summarized below (in thousands):

	2005	2004
Continuing operations	\$ 3,450	\$ (2,906)
Discontinued operations		775
Extraordinary		<u>663</u>
Total	<u>\$ 3,450</u>	<u>\$ (1,468)</u>

The difference between the statutory federal income tax rate and the Company's effective tax rate in 2005 and 2004 is primarily attributable to the effect of state income taxes and disallowed expenses and for 2005, a reduction of a valuation allowance in connection with the utilization of foreign net operating loss carryforwards.

The following is an analysis of accumulated deferred income assets and liabilities (in thousands):

	2005	2004
Deferred income tax assets:		
Net operating loss	\$ 331	\$ 1,488
State income tax	285	112
Allowance for doubtful accounts	261	159
Deferred rent	148	170
Accrued liabilities	384	600
Other	<u>72</u>	<u>97</u>
Total gross deferred income tax assets	<u>1,481</u>	<u>2,626</u>
Deferred income tax liabilities:		
Inventory	(2,983)	(3,820)
Depreciation and other	<u>(366)</u>	<u>(434)</u>
Total gross deferred income tax liabilities	<u>(3,349)</u>	<u>(4,254)</u>
Net deferred income taxes	<u>\$ (1,868)</u>	<u>\$ (1,628)</u>

5. CREDIT FACILITIES

Debt consisted of the following (in thousands):

	2005	2004
Transtar Metals Corp. and Transtar Inventory Corp. Credit Facility:		
Revolver due on December 15, 2007, accrues interest at an effective rate of 7.0% as of December 31, 2005	\$ 50,888	\$ 48,581
Term Loan due on December 1, 2011, accrues interest at an effective rate of 7.25% as of December 31, 2005	1,449	2,325
Transtar Metals Limited Credit Facility:		
Revolver due on February 14, 2006, accrues interest at an effective rate of 6.75% as of December 31, 2005		766
Term Loan due on May 14, 2005, accrues interest at an effective rate of 8.75% as of December 31, 2004		192
Tiernay Transtar Metals SASU Credit Facility—advances accrue interest at an effective rate of 0.7% as of December 31, 2005		
	<u>1,906</u>	
	54,243	51,864
Less current portion	<u>53,061</u>	<u>49,871</u>
Total long-term debt	<u>\$ 1,182</u>	<u>\$ 1,993</u>

Fiscal year principal payments of term loans as of December 31, 2005, are as follows (in thousands):

2006	\$ 267
2007	267
2008	267
2009	267
2010	267
2011 and thereafter	<u>114</u>
Total	<u>\$ 1,449</u>

Transtar Metals Corp. and Transtar Inventory Corp. Credit Facility—On December 15, 2004, Transtar Metals Corp. and Transtar Inventory Corp., collectively as borrowers, entered into a Financing Agreement (the “Agreement”). The Agreement extends credit consisting of (a) a revolving credit facility in an aggregate principal amount not to exceed \$57,675 (of which \$3,374 is available as of December 31, 2005), (b) a machinery and equipment term loan in the original principal amount of \$1,870, (c) a real estate term loan in the original principal amount of \$455, and (d) a letter of credit issuance capability in an amount not to exceed \$5,000 which shall be a subfacility of the revolving credit facility. The revolver bears interest at a rate per annum equal to the reference rate with the reference rate being defined as the rate of interest publicly announced by the Reference Bank in New York as its reference rate, base rate or prime rate. The borrower may make a “LIBOR election” with respect to all or any portion of the revolver in accordance with provisions of the loan agreement. The London InterBank Offered Rate (“LIBOR”) portion of the loan will bear interest at the annual rate equal to the LIBOR-based rate in effect for the LIBOR period as defined in the Agreement. The revolver also includes a commitment fee on the unused portion, currently at an annual rate of 0.25%. The term loans bear interest at a rate per annum equal to the reference rate plus 0.25%.

Borrowings under the Agreement are collateralized by substantially all of Transtar Metals Corp. and Transtar Inventory Corp.'s assets. The financial loan covenants in connection with the Agreement include a fixed charge coverage ratio.

Although the revolving credit facility expires in December 2007 and the Company's intention is for the facility to go to term, subject to the covenants in the credit agreement, the Company is technically required by Emerging Issues Task Force Issue No. 95-22 to classify the borrowings as a current liability as the revolving credit facility includes both a subjective acceleration clause and a lock-box arrangement. This classification has no impact on the Company's consolidated results of operations, cash flows, or compliance with covenants under the credit facility.

Deferred loan costs of \$838 incurred in connection with obtaining the credit facility are amortized over the term of the loan.

Transtar Metals Limited Credit Facility—On May 14, 2004, Transtar Metals Limited (formerly Tiernay Metals Limited) and Tiernay Transtar Metals SA entered into a Financing Agreement. The Agreement extended credit consisting of (a) a revolving credit facility in an aggregate principal amount not to exceed £1,030 at any time outstanding (of which £484 is available as of December 31, 2005), and (b) a term loan in an aggregate principal amount not to exceed £220 at any time outstanding. The revolving loan bore interest equal to a rate per annum equal to the base rate plus 2%, the base rate being set by the lender's bankers for prepayments in pounds sterling and the base rate plus 2.0%, the base rate being Venture cost of funds for prepayments in agreed currencies other than pounds sterling. In addition, the revolver bore a factoring fee of 0.3% plus bank charges. The term loan interest rate per annum was equal to LIBOR plus 2.0%. The credit facility included financial covenants restricting debt ratios, capital expenditures, loans, and turnover. Revolver borrowings under the Agreement were collateralized by Transtar Metals Limited accounts receivable. The provisions of the Agreement required a minimum notification period of 90 days to terminate.

The term loan under this Agreement was paid in full as of December 31, 2005.

Borrowings under the revolving loan Agreement as of December 31, 2005 and 2004, were \$0 and \$766, respectively. The interest rate at December 31, 2004, was 6.75%. The outstanding balance on the term loan at December 31, 2004, was \$192 at a rate of 8.75%.

Deferred loan costs incurred in connection with obtaining the credit facility are included in the consolidated balance sheet and are amortized over the term of the loan. At December 31, 2004, deferred loan costs were \$20, net of amortization of \$16, and fully amortized at December 31, 2005.

Tiernay Transtar Metals SASU Credit Facility—The Company collateralizes certain of its trade accounts receivables to secure the credit facility. The Company may request advances of up to 80% of eligible accounts receivable. As of December 31, 2005, approximately \$141 was available for borrowing under the terms of the Agreement. The lender charges fees based on a percentage of the collateralized receivables as defined in the agreement. Interest is charged on advances at a rate equal to the greater of 0.7% or \$78 per annum. For the year ended December 31, 2005, total fees were \$101.

6. COMMITMENTS AND CONTINGENCIES

The Company leases buildings and equipment under noncancelable operating leases expiring in various years through 2016. Several leases have renewal options providing for additional lease periods.

The Company also leases certain equipment and vehicles under capital leases, which expire at various dates through 2010.

Capital and operating lease obligations are as follows (in thousands):

	Operating	Capital
2006	\$ 3,069	\$ 410
2007	2,747	266
2008	2,532	149
2009	1,802	77
2010	1,222	25
Thereafter	<u>3,003</u>	<u>5</u>
Total	<u>\$ 14,375</u>	932
Less amounts included above representing interest		<u>83</u>
Present value of net minimum lease payments		849
Less current portion		<u>371</u>
Long-term portion		<u>\$ 478</u>

Rent expense for the years ended December 31, 2005 and 2004, was \$3,318 and \$3,332, respectively.

At December 31, 2005 and 2004, the cost and accumulated amortization related to property, plant, and equipment under capital leases was \$1,105 and \$289 and \$610 and \$73, respectively.

The Company is involved in certain other legal proceedings arising in the ordinary course of business, none of which, in the opinion of management, are expected to have a material adverse impact on the Company's consolidated financial statements.

7. EMPLOYEE BENEFIT PLAN

401(k) Profit Sharing Plan—The Company has a 401(k) profit sharing plan pursuant to which all employees who have attained the age of 20½ and have completed six months of service are eligible to participate. Effective May 2005, the Company instituted an annual matching percentage and maximum compensation limit contribution. Company's annual matching contribution for the year ended December 31, 2005, was \$130.

The plan also provides for annual discretionary profit sharing contributions at an amount to be determined at year-end by the Board of Directors. The Board of Directors did not approve an annual discretionary contribution in 2004 or 2005.

8. DISCONTINUED OPERATIONS

On July 31, 2004, the Company sold selected assets and liabilities of its Marine business unit ("Marine Unit"). The net proceeds of approximately \$5,600 resulted in a gain of approximately \$1,864 on the sale, which is reflected in discontinued operations. Net sales and income before income taxes of the Marine Unit for the year ended December 31, 2004, were as follows (in thousands):

Net sales	\$ 8,794
Income before income taxes (excluding gain on sale)	122

9. STOCK-BASED COMPENSATION

During 2003 and 2005, Transtar Metals, Transtar, and H.I.G. Transtar (“Investor”) entered into Executive Securities Agreements with certain executives of Transtar Metals (“Executives”), pursuant to which Transtar Metals granted Executives Class A Units of Transtar and Transtar granted Executives Class B Units of Transtar.

Class A Units—During 2005, Transtar Metals purchased 276,000 Class A Units of Transtar from its member holding a controlling interest, Investor, for \$3.15 per share for a purchase price of \$869. The Company determined that the fair market value of the units amounted to \$521. Accordingly, the difference between \$869 paid to Investor and the \$521 fair value of the units was reflected as an excess distribution (reduction of Retained Earnings). These units purchased by Transtar Metals were granted to the Executives at no cost for services rendered to the Company prior to December 31, 2004. The Class A Units were fully vested at the date of grant. The Company recognized \$521 relating to stock-based compensation for the Class A Units in the year ended December 31, 2004.

Class B Units—During 2003 and 2005, Transtar granted Executives 390,000 Class B Units at no cost. The vesting of the Class B Units is contingent upon the sale of the Company. As such, compensation expense related to the Class B Units will be recorded upon the sale of the Company as defined in certain Transtar agreements.

The activity relating to Class A and Class B units are summarized as follows:

	2005	2004
Class A Units:		
Outstanding—beginning of year	—	—
Awarded during the year	<u>276,000</u>	<u>—</u>
Outstanding—end of year	<u>276,000</u>	<u>—</u>
Class B Units:		
Outstanding—beginning of year	49,500	49,500
Awarded during the year	<u>340,500</u>	<u>—</u>
Outstanding—end of year	<u>390,000</u>	<u>49,500</u>

In connection with the Transtar Holding, LLC Agreement, as amended and restated, Transtar was obligated at the time of a sale of Transtar to issue at least 600,000 (as adjusted for unit splits and dividends) Class B Units to the employees of Transtar and its subsidiaries if not done so prior to the sale. As of December 31, 2005, there are 390,000 Class B Units outstanding.

In anticipation of the pending sale of the Company (see Note 10), all of the outstanding Class B Units were modified in August 2006, in order to address certain income tax features related to the awards. In addition, subsequent to the sale of the Company, the rights to receive additional Class B Units were waived in lieu of cash payments made by Transtar to the Executives.

10. SUBSEQUENT EVENTS

Effective April 1, 2006, an amendment to the Transtar Metals Corp. and Transtar Inventory Corp. financing agreement consisted of (a) increase the revolving credit from \$57,675,000 to \$68,000,000, (b) increase the sublimit for aggregate advances against Eligible Inventory from \$35,000,000 to \$42,000,000, and (c) extend the deadline for the Borrowers' delivery of their audited financial statements from 90 days to 120 days after each fiscal year.

Transtar Metals Limited gave notice of cancellation for its financing agreement on November 14, 2005. The termination was effective February 14, 2006.

On September 5, 2006, A.M. Castle & Co. purchased all of the outstanding common stock of the Company for \$173.3 million pursuant to a Stock Purchase Agreement dated August 12, 2006. Approximately \$30.9 million of these proceeds were used to pay off the remaining debt under the Transtar Metals Corp. and Transtar Inventory Corp. financing agreements. In addition, \$18 million of the proceeds were placed into escrow to satisfy H.I.G. Transtar's indemnification obligations, if any, under the Stock Purchase Agreement.

Transtar Intermediate
Holdings #2, Inc.

Consolidated Financial Statements
For the Six Month Period
Ended June 30, 2006

TRANSTAR INTERMEDIATE HOLDINGS #2, INC.
CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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TRANSTAR INTERMEDIATE HOLDINGS #2, INC.
CONSOLIDATED BALANCE SHEETS (unaudited)
(Dollars in thousands)

	As of	
	June 30, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash	\$ 770	\$ 555
Accounts receivable, net of allowances for returns and doubtful accounts of \$1,008 and \$1,124 at June 30, 2006 and December 31, 2005, respectively	38,724	29,482
Inventories	51,003	63,317
Prepaid income taxes	—	753
Prepaid expenses and other current assets	3,100	1,672
Total current assets	<u>93,597</u>	<u>95,779</u>
PROPERTY, PLANT AND EQUIPMENT, Net of accumulated depreciation and amortization	2,644	2,316
DEFERRED LOAN COSTS	419	559
OTHER ASSETS	189	176
DEFERRED INCOME TAXES	<u>158</u>	<u>324</u>
TOTAL ASSETS	<u>\$97,007</u>	<u>\$ 99,154</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Revolving credit facilities	\$37,207	\$ 52,794
Current maturities of capital leases and other financing	604	638
Accounts payable	22,303	17,219
Accrued liabilities	4,920	5,007
Income taxes payable	884	—
Deferred income taxes	2,156	2,156
Total current liabilities	<u>68,074</u>	<u>77,814</u>
TERM LOAN — Less current portion	1,000	1,182
CAPITAL LEASE OBLIGATIONS AND OTHER FINANCING — Less current portion	320	478
OTHER LIABILITIES	460	376
DEFERRED INCOME TAXES	<u>36</u>	<u>36</u>
Total liabilities	<u>69,890</u>	<u>79,886</u>
STOCKHOLDER'S EQUITY		
Common stock, \$0.01 par value — 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	4,000	4,000
Retained earnings	21,794	14,778
Accumulated other comprehensive income	1,323	490
Total stockholder's equity	<u>27,117</u>	<u>19,268</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$97,007</u>	<u>\$ 99,154</u>

See notes to the consolidated financial statements

TRANSTAR INTERMEDIATE HOLDINGS #2, INC.
CONSOLIDATED STATEMENTS OF INCOME (unaudited)
(Dollars in thousands)

	For the Six Months Ended June 30,	
	2006	2005
NET SALES	\$139,309	\$110,656
COSTS AND EXPENSES		
Cost of sales	98,143	78,236
Warehouse, delivery, selling, and general and administrative	<u>27,698</u>	<u>22,803</u>
OPERATING INCOME	13,468	9,617
INTEREST EXPENSE	(2,053)	(1,676)
OTHER INCOME (EXPENSE)	<u>29</u>	<u>(356)</u>
INCOME BEFORE INCOME TAXES	11,444	7,585
INCOME TAX EXPENSE	<u>(4,429)</u>	<u>(1,426)</u>
NET INCOME	<u>\$ 7,015</u>	<u>\$ 6,159</u>

See notes to the consolidated financial statements

TRANSTAR INTERMEDIATE HOLDINGS #2, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(Dollars in thousands)

	For the Six Months Ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 7,015	\$ 6,159
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	366	223
Allowances for returns and doubtful accounts	(125)	151
Amortization of deferred loan costs	140	155
Deferred income taxes	179	1,435
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	(8,694)	(5,184)
(Increase)/decrease in inventories	13,083	(1,858)
(Increase)/decrease in prepaids and other assets	(627)	(429)
Increase/(decrease) in accounts payable	4,817	(1,359)
Increase/(decrease) in accrued liabilities	751	590
Increase/(decrease) in other liabilities	85	(8)
Net cash provided by operating activities	<u>16,990</u>	<u>(125)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(651)	(434)
Net cash used in investing activities	<u>(651)</u>	<u>(434)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from revolver borrowings	115,371	102,031
Payments made on revolver borrowings	(131,041)	(101,491)
Payments made on term loan borrowings	(182)	(362)
Payments made on capital leases	(203)	(66)
Dividends paid	—	(631)
Net cash used in financing activities	<u>(16,055)</u>	<u>(519)</u>
EFFECT OF EXCHANGE RATE ON CASH	(69)	307
NET INCREASE/(DECREASE) IN CASH	215	(771)
CASH — Beginning of the year	<u>555</u>	<u>2,650</u>
CASH — End of the period	<u>\$ 770</u>	<u>\$ 1,879</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid during the period	<u>\$ 1,922</u>	<u>\$ 1,543</u>
Income taxes paid during the period	<u>\$ 2,627</u>	<u>\$ 2</u>
NON-CASH ITEMS:		
Acquisition through capital lease	<u>\$ 6</u>	<u>\$ 372</u>

See notes to the consolidated financial statements

Transtar Intermediate Holdings #2, Inc.
Notes to Consolidated Financial Statements
June 30, 2006
(Unaudited)

1. Consolidated Financial Statements

The consolidated financial statements included herein are unaudited. The Consolidated Balance Sheet at December 31, 2005 is derived from the audited financial statements at that date. Transtar Intermediate Holdings #2, Inc. (the "Company") believes that the disclosures included herein are adequate and make the information not misleading. However, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the unaudited condensed consolidated financial statements included herein contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position, the cash flows and the results of operations for the periods presented. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2005 and 2004 included in this filing on Form 8-K. The results reported herein may not necessarily be indicative of the results of the Company's operations for the full year.

2. Principles of Consolidation

Effective April 2006, the Company became a wholly owned subsidiary of Transtar Holdings #2, LLC, which is a wholly owned subsidiary of Transtar Holdings, LLC (collectively "Transtar"), an equity investment of H.I.G. Transtar, Inc. ("H.I.G. Transtar") and certain members of management. The consolidated financial statements include the accounts of the Company, a Delaware corporation and its wholly owned direct subsidiary, Transtar Metals Holdings, Inc. ("Transtar Metals"). Transtar Metals subsidiaries include Transtar Inventory Corp., Transtar Metals Corp. (previously Transtar Metals Acquisition Corp.), Transtar Metals Limited (a UK corporation) (previously Tiernay Metals Limited), Tiernay Transtar Metals SA (a French corporation formed in 2004, which is a wholly owned subsidiary of Transtar Metals Limited) and Transtar Marine Corp.

3. Impact of Recently Issued Accounting Principles

On July 13, 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement ("FAS") No. 109" ("FIN No. 48"). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FAS No. 109, "Accounting for Income Taxes." FIN No. 48 prescribes a recognition threshold and measurement principles for financial statements of tax positions taken or expected to be taken on a tax return. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company has not yet determined the impact this interpretation will have on its consolidated financial position and results of operations.

In September 2006 the FASB issued FAS No. 157, "Fair Value Measurement" ("FAS No. 157"). Among other items, FAS No. 157 was issued to eliminate the diversity in practice that exists due to the different definitions of fair value and the limited guidance in applying these definitions. FAS No. 157 encourages entities to combine fair value information disclosed under FAS No. 157 with other accounting pronouncements, including FAS No. 107, "Disclosures about Fair Value of Financial Instruments", where applicable. The guidance in this statement applies to derivatives and other financial instruments measured at fair value under FAS No. 133, "Accounting for

Derivative Instruments and Hedging Activities”, at initial and in all subsequent periods. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company has not yet determined the impact this interpretation will have on its consolidated financial position and results of operations.

4. Debt

Effective April 2006, the Transtar Metals Corp. and Transtar Inventory Corp. financing agreement was amended to: (a) increase the revolving credit from \$57,675,000 to \$68,000,000, (b) increase the sub-limit for aggregate advances against Eligible Inventory from \$35,000,000 to \$42,000,000, and (c) extend the deadline for the Company’s delivery of their audited financial statements from 90 days to 120 days after each fiscal year end.

The Transtar Metals Limited Credit Facility was terminated on February 14, 2006 pursuant to a cancellation notice given by the Company on November 14, 2005. There were no other changes to the terms of any debt arrangements of the Company during the six months ended June 30, 2006.

5. Inventories

At June 30, 2006 and December 31, 2005, approximately 64.8% and 70.2%, respectively, of consolidated inventories are stated on the basis of last-in, first-out (“LIFO”).

Final inventory valuations under the LIFO method can only be made at the end of each fiscal year based on the actual inventory levels and costs at that time. Accordingly, interim LIFO amounts, including those at June 30, 2006 and 2005, are based on management’s estimates of year-end inventory levels and costs. Since future estimates of inventory levels and costs are subject to certain forces beyond the control of management, interim financial results are subject to fiscal year-end LIFO inventory calculations.

If the first-in, first-out method had been used, these inventories would have been \$9.0 million and \$8.4 million higher at June 30, 2006 and December 31, 2005, respectively. Income taxes would become payable on any realization of this excess from reductions in the level of the Company’s inventories.

6. Related Party Transactions

H.I.G. Transtar charged the Company management fees in the amount of \$1.2 and \$0.4 million for the six months ended June 30, 2006 and 2005, respectively. These amounts are included in the consolidated statement of income as a general and administrative expense.

7. Property, Plant and Equipment

Property, plant and equipment consisted of the following (in thousands):

	June 30, 2006	December 31, 2005
Leasehold improvements	\$ 174	\$ 162
Machinery and equipment	2,257	1,785
Transportation equipment	19	9
Furniture and fixtures	406	263
Computer equipment	1,175	958
Property, plant and equipment, at cost	4,031	3,177
Less accumulated depreciation and amortization	(1,387)	(861)
Property, plant and equipment, net	<u>\$ 2,644</u>	<u>\$ 2,316</u>

8. Stock Based Compensation

The Company adopted Statement of Financial Accounting Standards No. 123R, "Share-Based Payments" effective January 1, 2006 using the modified prospective approach. This Statement requires that the compensation cost of share-based payment transactions be recognized in financial statements over the periods which services are rendered based on the fair value of the equity or liability instruments issued as measured on the date of grant. For prior years, the Company elected to account for stock-based employee compensation using the intrinsic value accounting method specified in Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees" and Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation." For the six months ended June 30, 2006 and 2005, the result of applying the fair value based method on stock-based employee compensation approximated the result of applying the intrinsic value method. There was no stock-based compensation recorded during the six months ended June 30, 2006 and 2005.

During 2003 and 2005, Transtar Metals, Transtar, and H.I.G. Transtar, entered into Executive Securities Agreements ("Agreements") with certain executives of the Company ("Executives"), pursuant to which the Transtar Metals granted Executives Class A Units of Transtar and Transtar granted Executives Class B Units of Transtar.

Class A Units

During 2005, Transtar Metals granted 276,000 Class A Units to the Executives at no cost for services rendered to the Company prior to December 31, 2004. The Class A Units were fully vested at the date of grant. The Company recognized \$521,000 relating to stock-based compensation for the Class A Units in the year ended December 31, 2004.

Class B Units

During 2003 and 2005, Transtar granted Executives 390,000 Class B Units at no cost. The vesting of the Class B Units is contingent upon the sale of the Company. As such, no compensation was recorded at the time of grant through June 30, 2006. In August 2006, all of the Class B Units currently held by the Executives were modified, in anticipation of the pending sale of the Company, in order to address certain income tax features related to the awards.

There were no additional grants, vesting, forfeitures or modifications of stock awards during the six month period ended June 30, 2006.

In connection with the Transtar Holding, LLC Agreement, as amended and restated, Transtar was obligated at the time of a sale of Transtar Metals to issue at least 600,000 (as adjusted for Unit splits and dividends) Class B Units to certain employees of Transtar Metals and its subsidiaries if not done so prior to the sale. Subsequent to the sale of the Company discussed in Note 9, the rights to receive additional Class B Units were waived in lieu of cash payments made by Transtar to the employees.

9. Subsequent Event

On September 5, 2006, A.M. Castle & Co. ("Castle") purchased all of the outstanding common stock of the Company for \$173.3 million pursuant to a Stock Purchase Agreement dated August 12, 2006. Approximately \$30.9 million of these proceeds were used to pay off the remaining debt under the Transtar Metals Corp. and Transtar Inventory Corp. financing agreement. In addition, \$18 million of the proceeds were placed into escrow to satisfy H.I.G. Transtar's indemnification obligations, if any, under the Stock Purchase Agreement.

Included in general and administrative expenses for the six months ended June 30, 2006 are approximately \$1.1 million of one-time costs related to this transaction.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On September 5, 2006, A.M. Castle & Co. (the “Company” or “Castle”) acquired all of the issued and outstanding capital stock of Transtar Intermediate Holdings #2, Inc. (“Transtar”) for \$180 million in cash, subject to certain adjustments. As of November 6, 2006, the estimated purchase price, net of those adjustments and including \$2.7 million of transaction related costs, is \$178.5 million.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2005 and the six month period ended June 30, 2006 combine the historical consolidated statements of operations of the Company and Transtar as if the transaction had taken place on January 1, 2005. The unaudited pro forma condensed combined balance sheet combines the historical balance sheets of the Company and Transtar as if the transaction had taken place on June 30, 2006. The historical consolidated financial information has been adjusted to give effect to pro forma events that are (i) directly attributable to the transaction and (ii) factually supportable. In addition, with respect to the statements of operations, the pro forma events must be expected to have a continuing impact on the combined results.

This information should be read in conjunction with (i) the accompanying notes to the unaudited pro forma condensed combined financial statements, (ii) the Company’s separate historical audited financial statements as of and for the year ended December 31, 2005 included in its Annual Report on Form 10-K, (iii) the Company’s separate historical financial information as of and for the six month period ended June 30, 2006 included in its Quarterly Report on Form 10-Q previously filed with the U.S. Securities and Exchange Commission (“SEC”), and (iv) the financial statements of Transtar included in this Form 8-K.

The pro forma financial statements included herein contain a non-GAAP disclosure, EBITDA, which consists of income before provision for income taxes plus depreciation and amortization, debt extinguishment expense, and interest expense (including discount on accounts receivable sold), less interest income. EBITDA is presented as a supplemental disclosure because management believes this measure is widely used by the investment community for evaluation purposes and provides the reader with additional information in analyzing the Company’s operating results. Management uses EBITDA as part of its evaluation of the operating performance of its businesses. EBITDA should not be considered as an alternative to net income or any other item calculated in accordance with U.S. generally accepted accounting principles (“GAAP”), or as an indicator of operating performance. The definition of EBITDA used herein may differ from that used by other companies. A reconciliation of EBITDA to net income is provided in accordance with U.S. Securities and Exchange Commission requirements.

The unaudited pro forma condensed combined financial information is presented for informational purposes only. The pro forma information is not necessarily indicative of what the financial position or results of operations actually would have been had the

acquisition been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company after the acquisition.

The unaudited pro forma financial information was prepared using the purchase method of accounting. Accordingly, the Company's cost to acquire Transtar has been allocated to the assets acquired and liabilities assumed based upon management's preliminary estimate of their respective fair values as of the date of the completion of the acquisition. Any differences between the fair value of the consideration paid and the fair value of the assets and liabilities acquired will be recorded as goodwill. The amounts allocated to acquired assets and liabilities in the attached unaudited pro forma financial information is dependent upon certain intangible asset valuations and other studies that have not progressed to a stage where sufficient information is available to make a definitive allocation. These valuations and other studies are expected to be completed in the fourth quarter of 2006. Accordingly, the purchase price allocation adjustments and related amortization reflected in the following unaudited pro forma condensed combined financial statements are preliminary and have been made solely for the purpose of preparing these pro forma financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2006
(in thousands, except per share data)

	Castle	Transtar	Pro Forma Adjustments		Pro Forma Combined
Net sales	\$554,800	\$139,309	\$ —		\$694,109
Cost of material sold	391,343	98,143	—		489,486
Gross material margin	<u>163,457</u>	<u>41,166</u>	<u>—</u>		<u>204,623</u>
Plant and delivery expense	58,605	9,881	—		68,486
Sales, general, and administrative expense	49,957	17,449	(1,836)	c), d), e)	65,570
Depreciation and amortization expense	5,097	368	3,698	a), f)	9,163
Total operating expenses	<u>113,659</u>	<u>27,698</u>	<u>1,862</u>		<u>143,219</u>
Operating income	49,798	13,468	(1,862)		61,404
Interest expense, net	(2,046)	(2,053)	(4,735)	b)	(8,834)
Other	<u>—</u>	<u>29</u>	<u>—</u>		<u>29</u>
Income before income taxes and equity in earnings of joint venture	47,752	11,444	(6,597)		52,599
Income taxes	<u>(19,639)</u>	<u>(4,429)</u>	<u>2,487</u>	g)	<u>(21,581)</u>
Income before equity in earnings of joint venture	28,113	7,015	(4,110)		31,018
Equity in earnings of joint venture	<u>2,295</u>	<u>—</u>	<u>—</u>		<u>2,295</u>
Net income	<u>\$ 30,408</u>	<u>\$ 7,015</u>	<u>\$(4,110)</u>		<u>\$ 33,313</u>
Shares:					
Basic	16,657				16,657
Diluted	18,756				18,756
Earnings per share:					
Basic	\$ 1.78				\$ 1.96
Diluted	\$ 1.62				\$ 1.78
EBITDA *	\$ 57,190				\$ 72,891
Reconciliation of net income to EBITDA:					
Net income	\$ 30,408				\$ 33,313
Depreciation and amortization expense	5,097				9,163
Interest expense, net	2,046				8,834
Income taxes	<u>19,639</u>				<u>21,581</u>
EBITDA	<u>\$ 57,190</u>				<u>\$ 72,891</u>

* Earnings before interest, income taxes and depreciation and amortization expense.

(See notes to the unaudited pro forma condensed combined financial statements)

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2005
(in thousands, except per share data)

	Castle	Transtar	Pro Forma Adjustments		Pro Forma Combined
Net sales	\$958,978	\$223,977	\$ —		\$1,182,955
Cost of material sold	677,186	159,362	—		836,548
Gross material margin	281,792	64,615	—		346,407
Plant and delivery expense	108,427	19,971	—		128,398
Sales, general, and administrative expense	92,848	28,009	(228)	c), d), e)	120,629
Depreciation and amortization expense	9,340	522	7,395	a), f)	17,257
Total operating expenses	210,615	48,502	7,167		266,284
Operating income	71,177	16,113	(7,167)		80,123
Interest expense, net	(7,348)	(3,607)	(9,969)	b)	(20,924)
Discount on sale of accounts receivable & other	(1,127)	64	—		(1,063)
Loss on extinguishment of debt	(4,904)	—	—		(4,904)
Income before income taxes and equity in earnings of joint venture	57,798	12,570	(17,136)		53,232
Income taxes	(23,191)	(3,450)	6,460	g)	(20,181)
Income before equity in earnings of joint venture	34,607	9,120	(10,676)		33,051
Equity in earnings of joint venture	4,302	—	—		4,302
Net income	<u>\$ 38,909</u>	<u>\$ 9,120</u>	<u>\$(10,676)</u>		<u>\$ 37,353</u>
Shares:					
Basic	16,033				16,033
Diluted	18,420				18,420
Earnings per share:					
Basic	\$ 2.37				\$ 2.27
Diluted	\$ 2.11				\$ 2.03
EBITDA *	\$ 84,819				\$ 101,746
Reconciliation of net income to EBITDA:					
Net income	\$ 38,909				\$ 37,353
Depreciation and amortization expense	9,340				17,257
Interest expense, net	7,348				20,924
Discount on sale of accounts receivable	1,127				1,127
Loss on extinguishment of debt	4,904				4,904
Income taxes	23,191				20,181
EBITDA	<u>\$ 84,819</u>				<u>\$ 101,746</u>

* Earnings before interest, discount on sale of accounts receivable, income taxes, depreciation and amortization and loss on extinguishment of debt.

(See notes to the unaudited pro forma condensed combined financial statements)

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of June 30, 2006
(in thousands)

	Castle	Transtar	Pro Forma Adjustments		Pro Forma Combined
Assets					
Current assets					
Cash and cash equivalents	\$ 42,982	\$ 770	\$ (26,700)	h)	\$ 17,052
Accounts receivable	128,946	38,724	—		167,670
Inventories	139,604	51,003	12,844	j)	203,451
Other current assets	7,378	3,100	—		10,478
Total current assets	<u>318,910</u>	<u>93,597</u>	<u>(13,856)</u>		<u>398,651</u>
Investment in joint venture	12,358	—	—		12,358
Goodwill	32,180	—	64,274	m)	96,454
Intangible assets	70	—	69,005	m)	69,075
Prepaid pension cost	40,037	—	—		40,037
Other assets	4,923	766	(419)	k)	5,270
Property, plant and equipment — net	67,251	2,644	1,585	i)	71,480
Total assets	<u>\$475,729</u>	<u>\$97,007</u>	<u>\$120,589</u>		<u>\$693,325</u>
Liabilities and Stockholders' Equity					
Current liabilities					
Accounts payable	\$123,397	\$22,303	\$ —		\$145,700
Accrued liabilities	22,997	4,920	—		27,917
Current and deferred income taxes	1,497	3,040	3,958	l)	8,495
Current portion of long-term debt	6,233	37,811	(37,545)	k)	6,499
Total current liabilities	<u>154,124</u>	<u>68,074</u>	<u>(33,587)</u>		<u>188,611</u>
Long term debt, less current portion	73,569	1,320	154,680	h), k)	229,569
Deferred income taxes	20,784	36	26,612	l)	47,432
Other long-term liabilities	14,621	460	—		15,081
Stockholders' equity					
Preferred stock	11,239	—	—		11,239
Common stock	170	—	—		170
Additional paid-in capital	66,000	4,000	(4,000)	k)	66,000
Retained earnings	138,434	21,794	(21,794)	k)	138,434
Accumulated other comprehensive income	3,473	1,323	(1,323)	k)	3,473
Treasury stock, at cost	(6,685)	—	—		(6,685)
Total stockholders' equity	<u>212,631</u>	<u>27,117</u>	<u>(27,117)</u>		<u>212,631</u>
Total liabilities and stockholders' equity	<u>\$475,729</u>	<u>\$97,007</u>	<u>\$120,589</u>		<u>\$693,325</u>

(See notes to the unaudited pro forma condensed combined financial statements)

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Description of Transaction

On September 5, 2006, Castle acquired all of the issued and outstanding capital stock of Transtar for \$180 million in cash. The purchase price will be adjusted by the amount that working capital falls outside of the minimum/maximum working capital range defined in the agreement and by the outstanding net indebtedness of Transtar (except that Castle will assume any indebtedness of Transtar's two foreign subsidiaries) and transaction expenses payable by Transtar at closing. As of November 6, 2006, the estimated purchase price net of those adjustments, and including \$2.7 million of transaction related expenses, was \$178.5 million. The condensed combined pro forma financial statements reflect the \$180 million purchase price since they were prepared assuming the transaction took place on June 30, 2006 at which date there was no implied working capital adjustment.

The acquisition was assumed to be funded by approximately \$26.7 million of existing cash of the Company, \$126 million from an expanded revolving line of credit and \$30 million from a new term loan.

The Company will account for the merger as a purchase under accounting principles generally accepted in the United States of America. Under the purchase method of accounting, the assets and liabilities of Transtar will be recorded as of the acquisition date at their respective fair values and be consolidated with those of Castle. The purchase price, as reflected in these condensed combined pro forma financial statements, has been allocated as follows (in millions):

Current assets	\$ 106.5
PP&E, net	4.2
Intangible assets	69.0
Goodwill	64.3
Total assets	244.3
Current liabilities	34.5
Long-term liabilities	27.1
Total liabilities	61.6
Net assets	\$ 182.7

2. Pro Forma Adjustments

- a) To reflect \$6.7 million incremental annual amortization (\$3.3 million for the 6 months ended June 30, 2006) to be incurred on the fair value of the acquired identifiable intangible assets. Such estimated identifiable intangible assets include approximately \$67.4 million of customer relationships/contracts (11 year estimated useful life) and \$1.6 million of non-compete agreements (3 year estimated useful life).
- b) To reflect \$9.9 million incremental annual net interest expense (\$4.7 million for the 6 months ended June 30, 2006) arising from the assumed issuance of \$156 million of debt to fund the transaction at an estimated interest rate of 7.5%, the reduction in interest income due to the assumed use of \$26.7 million of the Company's existing cash to fund the acquisition and eliminating Transtar's debt and interest, calculated as follows (in millions):

	Year ended December 31, 2005	Six months ended June 30, 2006
\$156 million debt at 7.5%	\$ 11.7	\$ 5.9
\$26.7 million cash at 5%	1.3	0.7
Amortization of debt issuance costs	0.5	0.2
Less: Transtar's interest	(3.6)	(2.1)
Incremental interest	\$ 9.9	\$ 4.7

Interest on the debt will be charged at a variable rate based on LIBOR. A change of 1/8th of one percent would not have a material impact on the amount of interest expense incurred.

- c) To eliminate \$1.0 million of management fees that were paid by Transtar to their previous owners for the year ended December 31, 2005 (\$1.2 million for the six months ended June 30, 2006), which will no longer continue.
- d) To eliminate \$0.2 million (\$1.1 million for the six months ended June 30, 2006) of costs incurred by Transtar related to this transaction which will not continue.
- e) To reflect \$1.0 million of incremental costs (\$0.5 million for the 6 months ending June 30, 2006) expected to be incurred due to Transtar becoming a subsidiary of a U.S. public company. The incremental costs relate to compliance with various provisions of the Sarbanes-Oxley Act of 2002, as well as incremental finance staff headcount and other administrative requirements directly associated with meeting public company filing requirements.
- f) To reflect incremental depreciation expense of \$0.7 million (\$0.4 million for the six months ended June 30, 2006) for fixed assets expected to be written up to fair value in the purchase price allocation.

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- g) To reflect taxes on the pro forma adjustments to income at Castle's statutory rate of 37.7%.
 - h) To reflect the assumed purchase price as of June 30, 2006 of \$180 million plus an estimated \$2.7 million of acquisition costs being funded by \$26.7 million of cash and \$156 million of incremental long-term borrowings.
 - i) To increase the value of fixed assets by \$1.6 million to reflect them at fair value.
 - j) To adjust LIFO and other inventory reserves by \$12.8 million to reflect inventory at its fair value.
 - k) To remove Transtar's U.S.-based debt (comprised of \$0.4 million deferred financing costs, \$37.6 million current debt, and \$1.3 million long term debt) not assumed as part of the purchase transaction, and to eliminate Transtar's equity (comprised of \$4.0 million of additional paid-in capital, \$21.8 million of retained earnings and \$1.3 million of accumulated other comprehensive income).
 - l) To eliminate Transtar's current taxes payable of \$0.8 million for which responsibility to pay remains with the prior owner as well as to reflect an estimated \$4.8 million current deferred tax liability and \$26.6 million long-term deferred tax liability arising from the anticipated purchase price allocation.
 - m) To reflect the allocation of the excess of the purchase price over the fair value of tangible net assets to intangibles (\$69.0 million) and goodwill (\$64.2 million).

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in A.M. Castle & Co.'s Registration Statements Nos. 33-30545, 33-37818, 333-118030, and 333-118031 on Form S-8 and Registration Statements Nos. 333-87254, 333-106709 and 333-02519 on Form S-3 of our report dated November 6, 2006 related to the financial statements of Transtar Intermediate Holdings #2, Inc. as of and for the years ended December 31, 2005 and 2004 appearing in this Current Report on Form 8-K/A of A.M. Castle & Co.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
November 6, 2006