CASTLE A M & CO

FORM 10-Q
(Quarterly Report)

Filed 07/29/10 for the Period Ending 06/30/10

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

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

FORM 10-Q

☑ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For Quarterly Period Ended June 30, 2010 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 incorporation of organization)	(I.R.S. Employer Identification No.)
3400 North Wolf Road, Franklin Park, Illinois	60131
(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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer; an accelerated filer; a non-accelerated filer; or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large Accelerated Filer ☐ Accelerated Filer ☑ Non-Accelerated Filer ☐ Smaller Reporting Company ☐

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

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

Class	Outstanding at July 23, 2010
Common Stock, $0.01 Par Value	22,958,969 shares

A. M. CASTLE & CO.

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Item 1. Financial Statements (unaudited)
Amounts in thousands, except par value and per share data

CONDENSED CONSOLIDATED BALANCE SHEETS

	As of	
	June 30, 2010	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 26,406	$ 28,311
Accounts receivable, less allowances of $4,488 and $4,195	132,632	105,832
Inventories, principally on last-in, first-out basis (replacement cost higher by $120,265 and $116,816)	168,535	170,960
Other current assets	6,268	5,241
Income tax receivable	11,469	18,970
Total current assets	345,310	329,314
Investment in joint venture	25,501	23,468
Goodwill	50,066	50,072
Intangible assets	44,910	48,575
Prepaid pension cost	20,671	19,913
Other assets	3,745	3,906
Property, plant and equipment, at cost		
Land	5,192	5,192
Building	51,852	51,945
Machinery and equipment	181,022	178,545
	238,066	235,682
Less — accumulated depreciation	(159,195)	(152,929)
	78,871	82,753
Total assets	$ 569,074	$ 558,001
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 96,257	$ 71,295
Accrued liabilities	24,845	22,419
Income taxes payable	189	1,848
Deferred income taxes	5,001	9,706
Current portion of long-term debt	7,599	7,778
Short-term debt	11,202	13,720
Total current liabilities	145,093	126,766
Long-term debt, less current portion	67,062	67,686
Deferred income taxes	29,673	32,032
Other non-current liabilities	4,891	5,281
Pension and post retirement benefit obligations	8,251	8,028
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.01 par value - 10,000 shares authorized; no shares issued and outstanding at June 30, 2010 and December 31, 2009	—	—
Common stock, $0.01 par value - 30,000 shares authorized; 23,124 shares issued and 22,956 outstanding at June 30, 2010 and 23,115 shares issued and 22,906 outstanding at December 31, 2009	231	230
Additional paid-in capital	178,821	178,129
Retained earnings	152,173	156,387
Accumulated other comprehensive loss	(14,825)	(13,528)
Treasury stock, at cost - 168 shares at June 30, 2010 and 209 shares at December 31, 2009	(2,296)	(3,010)
Total stockholders' equity	314,104	318,208
Total liabilities and stockholders' equity	$ 569,074	$ 558,001

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	$ 240,132	$ 195,103	$ 463,128	$ 447,347
Costs and expenses:				
Cost of materials (exclusive of depreciation and amortization)	178,515	145,067	347,558	327,247
Warehouse, processing and delivery expense	30,176	26,219	59,080	57,145
Sales, general, and administrative expense	25,808	25,889	52,750	57,849
Depreciation and amortization expense	5,351	5,542	10,501	10,958
Operating income (loss)	282	(7,614)	(6,761)	(5,852)
Interest expense, net	(1,252)	(1,552)	(2,545)	(3,257)
Loss before income taxes and equity in earnings (losses) of joint venture	(970)	(9,166)	(9,306)	(9,109)
Income taxes	(70)	3,782	2,778	4,227
Loss before equity in earnings (losses) of joint venture	(1,040)	(5,384)	(6,528)	(4,882)
Equity in earnings (losses) of joint venture	1,448	(137)	2,314	(159)
Net income (loss)	$ 408	$ (5,521)	$ (4,214)	$ (5,041)
Basic earnings (loss) per share	$ 0.02	$ (0.24)	$ (0.18)	$ (0.22)
Diluted earnings (loss) per share	$ 0.02	$ (0.24)	$ (0.18)	$ (0.22)
Dividends per common share	$ —	$ 0.06	$ —	$ 0.06

The accompanying notes are an integral part of these statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2010	2009
Operating activities:		
Net loss	$ (4,214)	$ (5,041)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	10,501	10,958
Amortization of deferred gain	(437)	(447)
Equity in earnings (losses) of joint venture	(2,314)	159
Dividends from joint venture	338	485
Deferred tax benefit	(7,063)	(4,593)
Share-based compensation expense	1,020	710
Excess tax (benefits) deficiencies from share-based payment arrangements	(166)	95
Increase (decrease) from changes, net of acquisitions, in:		
Accounts receivable	(28,109)	47,001
Inventories	287	31,762
Other current assets	(889)	(887)
Other assets	2,221	(1,292)
Prepaid pension costs	(524)	(375)
Accounts payable	23,529	(43,354)
Accrued liabilities	2,763	(5,861)
Income taxes payable and receivable	5,504	(11,798)
Postretirement benefit obligations and other liabilities	229	(1,072)
Net cash from operating activities	2,676	16,450
Investing activities:		
Capital expenditures	(3,254)	(4,922)
Proceeds from sale of fixed assets	—	19
Insurance proceeds	—	1,093
Net cash used in investing activities	(3,254)	(3,810)
Financing activities:		
Short-term (repayments) borrowings, net	(2,602)	(4,438)
Net borrowings on long-term revolving lines of credit	1,469	—
Repayments of long-term debt	(350)	(1,609)
Common stock dividends	—	(1,361)
Excess tax benefits (deficiencies) from share-based payment arrangements	166	(95)
Exercise of stock options and other	244	—
Net cash used in financing activities	(1,073)	(7,503)
Effect of exchange rate changes on cash and cash equivalents	(254)	279
Net (decrease) increase in cash and cash equivalents	(1,905)	5,416
Cash and cash equivalents — beginning of year	28,311	15,277
Cash and cash equivalents — end of period	$ 26,406	$ 20,693

The accompanying notes are an integral part of these statements.

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

(1) Condensed Consolidated Financial Statements

The condensed consolidated financial statements included herein have been prepared by A. M. Castle & Co. and subsidiaries (the "Company"), without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The Condensed Consolidated Balance Sheet at December 31, 2009 is derived from the audited financial statements at that date. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the SEC. In the opinion of management, the unaudited statements, included herein, contain all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of financial results for the interim periods. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K. The 2010 interim results reported herein may not necessarily be indicative of the results of the Company's operations for the full year.

Non-cash investing activities for the six months ended June 30, 2010 and 2009 consisted of $84 and $54, of capital expenditures financed by accounts payable, respectively.

(2) New Accounting Standards Updates

Updates Adopted

Effective January 1, 2010, the Company adopted Accounting Standards Update ("ASU") 2009-17, "Improvements to Financial Reporting by Enterprises Involved With Variable Interest Entities" ("ASU 2009-17"). The revised guidance amends the consolidation guidance that applies to a variable interest entity ("VIE"). The adoption of the ASU did not have an impact on the Company's financial position, results of operations and cash flows.

(3) Earnings Per Share

Diluted earnings per share is computed by dividing net income by the weighted average number of shares of common stock plus common stock equivalents. Common stock equivalents consist of stock options, non-vested shares, restricted stock units, and other share-based payment awards, which have been included in the calculation of weighted average shares outstanding using the treasury stock method. The following table is a reconciliation of the basic and diluted earnings per share calculations for the three and six months ended June 30, 2010 and 2009:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Numerator:				
Net income (loss)	$ 408	$ (5,521)	$ (4,214)	$ (5,041)
Denominator:				
Denominator for basic earnings (loss) per share:				
Weighted average common shares outstanding	22,706	22,903	22,691	22,815
Effect of dilutive securities:				
Outstanding common stock equivalents	358	—	—	—
Denominator for diluted earnings per share	23,064	22,903	22,691	22,815
Basic earnings (loss) per share	$ 0.02	$ (0.24)	$ (0.18)	$ (0.22)
Diluted earnings (loss) per share	$ 0.02	$ (0.24)	$ (0.18)	$ (0.22)
Excluded outstanding share-based awards having an anti-dilutive effect	70	240	515	240

For the three and six months ended June 30, 2010 and 2009, the undistributed earnings (losses) attributed to participating securities, which represent certain non-vested shares granted by the Company, were approximately one percent of total earnings (losses).

(4) Debt

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

	June 30, 2010	December 31, 2009
SHORT-TERM DEBT		
U.S. Revolver A (a)	$ 1,800	$ 5,000
Trade acceptances (b)	9,402	8,720
Total short-term debt	11,202	13,720
LONG-TERM DEBT		
6.76% insurance company loan due in scheduled installments from 2007 through 2015	50,026	50,026
U.S. Revolver B (a)	23,989	24,246
Other, primarily capital leases	646	1,192
Total long-term debt	74,661	75,464
Less current portion	(7,599)	(7,778)
Total long-term portion	67,062	67,686
TOTAL SHORT-TERM AND LONG-TERM DEBT	$ 85,863	$ 89,184

(a) The Company’s amended and Restated Credit Agreement (the “2008 Senior Credit Facility”) provides a $230,000 five-year secured revolver consisting of (i) a $170,000 revolving “A” loan (the “U.S. Revolver A”), (ii) a $50,000 multicurrency revolving “B” loan (the “U.S. Revolver B”), and (iii) a Canadian dollar $9,784 revolving loan (corresponding to $10,000 in U.S. dollars as of the amendment closing date; availability expressed in U.S. dollars changes based on movement in the exchange rate between the Canadian dollar and U.S. dollar). The maturity date of the 2008 Senior Credit Facility is January 2, 2013.

The Company has classified U.S. Revolver A as short-term based on its ability and intent to repay amounts outstanding under this instrument within the next 12 months. U.S. Revolver B is classified as long-term as the Company's cash projections indicate that amounts outstanding (which are denominated in British pounds) under this instrument are not expected to be repaid within the next 12 months. The Company had availability of $81,945 under its U.S. Revolver A and $26,011 under its U.S. Revolver B as of June 30, 2010. The Company's Canadian subsidiary had availability of approximately $9,276 in U.S dollars. The weighted average interest rate for borrowings under the U.S. Revolver A and U.S. Revolver B for the six months ended June 30, 2010 was 2.43% and 1.36%, respectively. The weighted average interest rate under the Canadian Revolver for the six months ended June 30, 2010 was 0.23% and primarily represents unused credit line fees.

(b) A trade acceptance is a form of debt instrument having a definite maturity and obligation to pay and which has been accepted by an acknowledgement by the company upon whom it is drawn. At June 30, 2010, the Company had $9,402 in outstanding trade acceptances with varying maturity dates ranging up to 120 days. The weighted average interest rate was 1.22% for the six months ended June 30, 2010.

The fair value of the Company's fixed rate debt as of June 30, 2010, including current maturities, was estimated to be between $48,500 and $49,500 compared to a carrying value of $50,026. The fair value of the fixed rate debt was determined using a market approach, which estimates fair value based on companies with similar credit quality and size of debt issuances. As of June 30, 2010, the estimated fair value of the Company's debt outstanding under its revolving credit facility is $23,155, assuming the current amount of debt outstanding at the end of the period was outstanding until the maturity of the Company's facility in January 2013. Although borrowings could be materially greater or less than the current amount of borrowings outstanding at the end of the period, it is not practical to estimate the amounts that may be outstanding during future periods since there is no predetermined borrowing or repayment schedule. The estimated fair value of the Company's debt outstanding under its revolving credit facility is lower than the carrying value of $25,789 since the terms of this facility are more favorable than those that might be expected to be available in the current lending environment.

As of June 30, 2010, the Company remained in compliance with the covenants of its financing agreements, which require it to maintain certain funded debt-to-capital and working capital-to-debt ratios and a minimum adjusted consolidated net worth as defined within the agreements.

(5) Segment Reporting

The Company distributes and performs processing on both metals and plastics. Although the distribution processes are similar, 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, round bar, hexagon bar, square and flat bar, tubing and coil. Depending on the size of the facility and the nature of the markets it serves, service centers are equipped as needed with bar saws, plate saws, oxygen and plasma arc flame cutting machinery, water-jet cutting, stress relieving and annealing furnaces, surface grinding equipment and sheet shearing equipment. This segment also performs various specialized fabrications for its customers through pre-qualified subcontractors that thermally process, turn, polish and straighten alloy and carbon bar.

The Company's Plastics segment consists exclusively of a wholly owned subsidiary that operates as Total Plastics, Inc. ("TPI") headquartered in Kalamazoo, Michigan. The Plastics segment stocks and distributes a wide variety of plastics in forms that include plate, rod, tube, clear sheet, tape, gaskets and fittings. Processing activities within this segment include cut to length, cut to shape, bending and forming according to customer specifications. The Plastics segment's diverse customer base consists of companies in the retail (point-of-purchase), marine, office furniture and fixtures, transportation and general manufacturing industries. TPI has locations throughout the upper northeast and midwest regions of the U.S. and one facility in Florida from which it services a wide variety of users of industrial plastics.

The accounting policies of all segments are the same as described in *Note 1* , "Basis of Presentation and Significant Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. Management evaluates the performance of its business segments based on operating income.

Segment information for the three months ended June 30, 2010 and 2009 is as follows:

	Net Sales	Operating Income (Loss)	Capital Expenditures	Depreciation & Amortization
2010				
Metals segment	$ 213,289	$ 463	$ 1,137	$ 5,018
Plastics segment	26,843	1,440	164	333
Other	—	(1,621)	—	—
Consolidated	$ 240,132	$ 282	$ 1,301	$ 5,351
2009				
Metals segment	$ 174,076	$ (7,061)	$ 1,050	$ 5,186
Plastics segment	21,027	(218)	47	356
Other	—	(335)	—	—
Consolidated	$ 195,103	$ (7,614)	$ 1,097	$ 5,542

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

Segment information for the six months ended June 30, 2010 and 2009 is as follows:

	Net Sales	Operating (Loss) Income	Capital Expenditures	Depreciation & Amortization
2010				
Metals segment	$ 412,963	$ (5,358)	$ 3,025	$ 9,838
Plastics segment	50,165	1,603	229	663
Other	—	(3,006)	—	—
Consolidated	$ 463,128	$ (6,761)	$ 3,254	$ 10,501
2009				
Metals segment	$ 405,158	$ (3,046)	$ 4,784	$ 10,271
Plastics segment	42,189	(626)	138	687
Other	—	(2,180)	—	—
Consolidated	$ 447,347	$ (5,852)	$ 4,922	$ 10,958

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

Segment information for total assets is as follows:

	June 30, 2010	December 31, 2009
Metals segment	$ 496,092	$ 488,090
Plastics segment	47,481	46,443
Other	25,501	23,468
Consolidated	$ 569,074	$ 558,001

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

(6) Goodwill and Intangible Assets

The changes in carrying amounts of goodwill during the six months ended June 30, 2010 were as follows:

	Metals Segment	Plastics Segment	Total
Balance as of January 1, 2010			
Goodwill	$ 97,316	$ 12,973	$ 110,289
Accumulated impairment losses	(60,217)	—	(60,217)
Balance as of January 1, 2010	37,099	12,973	50,072
Currency valuation	(6)	—	(6)
Balance as of June 30, 2010			
Goodwill	97,310	12,973	110,283
Accumulated impairment losses	(60,217)	—	(60,217)
Balance as of June 30, 2010	$ 37,093	$ 12,973	$ 50,066

As discussed in *Note 8,* "Goodwill and Intangible Assets", in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, the Company recorded a goodwill impairment charge of $1,357 for the year ended December 31, 2009. The Company's annual test for goodwill impairment is completed as of January 1 st each year. Based on the January 1, 2010 test, the Company determined that there was no impairment of goodwill.

The following summarizes the components of intangible assets:

	June 30, 2010		December 31, 2009	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Customer relationships	$ 69,355	$ 24,659	$ 69,549	$ 21,435
Non-compete agreements	2,838	2,624	2,938	2,477
Trade name	378	378	378	378
Total	$ 72,571	$ 27,661	$ 72,865	$ 24,290

The weighted-average amortization period for the intangible assets is 10.5 years, 10.8 years for customer relationships and 3 years for non-compete agreements. Substantially all of the Company's intangible assets were acquired as part of the acquisitions of Transtar on September 5, 2006 and Metals U.K. on January 3, 2008, respectively. For the three-month periods ended June 30, 2010 and 2009, amortization expense was $1,760 and $1,884, respectively. For the six-month periods ended June 30, 2010 and 2009, amortization expense was $3,531 and $3,779, respectively.

The following is a summary of the estimated annual amortization expense for 2010 and each of the next 4 years:

2010	$ 7,041
2011	6,593
2012	6,139
2013	6,139
2014	6,139

(7) Inventories

Over eighty percent of the Company's inventories are stated at the lower of LIFO cost or market. Final inventory determination under the LIFO method is made at the end of each fiscal year based on the actual inventory levels and costs at that time. Interim LIFO determinations, including those at June 30, 2010, are based on management's estimates of future inventory levels and costs. The Company values its LIFO increments using the cost of its latest purchases during the periods reported.

Current replacement cost of inventories exceeded book value by $120,265 and $116,816 at June 30, 2010 and December 31, 2009, respectively. Income taxes would become payable on any realization of this excess from reductions in the level of inventories.

(8) Share-based Compensation

The Company accounts for its share-based compensation arrangements by recognizing compensation expense for the fair value of the share awards granted ratably over their vesting period. The consolidated compensation cost recorded for the Company's share-based compensation arrangements was $684 and $240 for the three months ended June 30, 2010 and 2009, respectively and $1,020 and $710 for the six months ended June 30, 2010 and 2009, respectively. The total income tax benefit recognized in the condensed consolidated statements of operations for share-based compensation arrangements was $227 and $94 for the three months ended June 30, 2010 and 2009, respectively and $357 and $277 for the six months ended June 30, 2010 and 2009, respectively. All compensation expense related to share-based compensation arrangements is recorded in sales, general and administrative expense. The unrecognized compensation cost as of June 30, 2010 associated with all share-based payment arrangements is $5,316 and the weighted average period over which it is to be expensed is 1.6 years.

Long-Term Compensation and Incentive Plans

On March 18, 2010, the Human Resources Committee (the "Committee") of the Board of Directors of the Company approved equity awards under the Company's 2010 Long-Term Compensation Plan ("2010 LTC Plan") for executive officers and other select personnel. The 2010 LTC Plan awards included restricted stock units ("RSUs"), performance share units, and stock options. All 2010 LTC Plan awards are subject to the terms of the Company's 2008 Restricted Stock, Stock Option and Equity Compensation Plan, amended and restated as of March 5, 2009. In addition to the 2010 LTC Plan, the Company maintains 2008 and 2009 Long-term Incentive Plans ("LTI Plans") for executive officers and other select personnel under which they may receive share-based awards.

Unless covered by a specific change-in-control or severance agreement, participants to whom RSUs, performance shares and other non-vested shares have been granted must be employed by the Company on the vesting date or at the end of the performance period, respectively, or the award will be forfeited. However, for stock option awards, unless a participant is covered by a specific change-in-control or severance agreement options are forfeited in the event of the termination of employment other than by reason of disability or a retirement.

Compensation expense is recognized based on management's estimate of the total number of share-based awards expected to vest at the end of the service period.

Restricted Share Units and Non-Vested Shares

The RSUs granted under the 2010 LTC Plan will cliff vest on December 31, 2012. 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). The Company's 2009 LTI Plan also included issuance of approximately 187 non-vested share awards which cliff vest on December 31, 2011. Approximately 161 shares associated with the 2009 LTI Plan are outstanding as of June 30, 2010. The remaining outstanding non-vested share balance primarily consists of shares issued to the Board of Directors during the second quarter of 2010. The Director shares vest during the second quarter of 2011.

The fair value of the RSUs and non-vested shares is established using the market price of the Company's stock on the date of grant.

A summary of the RSU and non-vested share activity is as follows:

	Shares		Units	
	Shares	Weighted-Average Grant Date Fair Value	Units	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2010	262	$ 10.76	—	—
Granted	39	$ 18.06	150	$ 12.07
Forfeited	(16)	$ 6.37	(2)	$ 12.07
Vested	(54)	$ 11.19	—	
Outstanding at June 30, 2010	231	$ 13.15	148	$ 12.07
Expected to vest as of June 30, 2010	215	$ 13.49	126	$ 12.07

The unrecognized compensation cost as of June 30, 2010 associated with RSU and non-vested share awards is $2,542.

Performance Shares

Under the 2010 LTC Plan, the potential award for the performance shares granted is dependent on the Company's relative total shareholder return ("RTSR"), which represents a market condition, over a three-year performance period, beginning January 1, 2010 and ending December 31, 2012. 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 2010 LTC Plan provides with respect to performance shares for (1) a threshold level up to which the threshold level of performance shares will vest, a target performance level at which the target number of performance shares will vest, a maximum performance level at or above which the maximum number of performance shares will vest, and pro rata vesting between the threshold and maximum performance levels and (2) minimum and maximum vesting opportunities ranging from one-half up to two times the target number. The threshold, target and maximum performance levels for RTSR are the 25th, 50th and 75th percentile, respectively, relative to RTSR Peer Group performance. 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 for performance awards containing a market condition is recognized regardless of whether the market condition is achieved to the extent the requisite service period condition is met. Each performance share 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).

The grant date fair value of $12.26 for each performance share awarded under the 2010 LTC Plan was estimated using a Monte Carlo simulation with the following assumptions:

	2010
Expected volatility	61.6%
Risk-free interest rate	1.45%
Expected life (in years)	2.80
Expected dividend yield	—

Final award vesting and distribution of performance awards granted under the 2009 and 2008 LTI Plans are determined based on the Company's actual performance versus the target goals for a three-year consecutive period (as defined in the 2008 and 2009 Plans). Partial performance awards can be earned for performance less than the target goal, but in excess of minimum goals; and award distributions twice the target can be achieved if the maximum goals are met or exceeded. The performance goals are three-year cumulative net income and average return on total capital for the same three-year 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 performance awards under the 2008 and 2009 LTI Plans was established using the market price of the Company's stock on the date of grant.

The status of performance shares that have been awarded as part of the active LTC and LTI Plans is summarized below as of June 30, 2010:

Plan Year	Grant Date Fair Value	Estimated Number of Performance Shares to be Issued	Maximum Number of Performance Shares that could Potentially be Issued
2010 LTC Plan	$12.26	121	296
2009 LTI Plan	$5.66	—	645
2008 LTI Plan	$22.90 - $28.17	—	331

As of June 30, 2010, the Company exceeded the threshold level at which shares would vest for the 2010 LTC Plan.

The unrecognized compensation cost as of June 30, 2010 associated with the 2010 LTC Plan performance shares is $1,386.

Stock Options

The stock options issued under the 2010 LTC Plan vest and become exercisable three years from the date of the grant. The term of the options is eight years. The exercise price of the options is $12.79 per share (which is based on the average closing price of the Company's common stock for the 10 trading days preceding the date on which the options were granted).

The grant date fair value of $5.71 per share was estimated using the Black-Scholes option-pricing model with the following assumptions:

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

A summary of the stock option activity is as follows:

	Shares	Weighted Average Exercise Price
Stock options outstanding at January 1, 2010	239	$ 11.37
Granted	303	$ 12.79
Exercised	(23)	$ 10.60
Forfeited	(4)	$ 12.79
Stock options outstanding at June 30, 2010	515	$ 12.23
Stock options vested or expected to vest as of June 30, 2010	470	$ 12.17

The total intrinsic value of options outstanding at June 30, 2010 is $1,181. As of June 30, 2010, stock options outstanding had a weighted average remaining contractual life of 6 years. The unrecognized compensation cost as of June 30, 2010 associated with stock options is $1,388.

Deferred Compensation Plan

As of June 30, 2010, a total of 30 common share equivalent units are included in the director stock equivalent unit accounts.

(9) Comprehensive Loss

Comprehensive loss includes net income (loss) and all other non-owner changes to equity that are not reported in net income (loss). The Company’s comprehensive loss for the three months ended June 30, 2010 and 2009 is as follows:

	June 30, 2010	June 30, 2009
Net income (loss)	$ 408	$ (5,521)
Foreign currency translation (loss) gain	(1,495)	997
Pension cost amortization, net of tax	71	60
Total comprehensive loss	$ (1,016)	$ (4,464)

The Company’s comprehensive loss for the six months ended June 30, 2010 and 2009 is as follows:

	June 30, 2010	June 30, 2009
Net loss	$ (4,214)	$ (5,041)
Foreign currency translation (loss) gain	(1,439)	2,201
Pension cost amortization, net of tax	142	119
Total comprehensive loss	$ (5,511)	$ (2,721)

The components of accumulated other comprehensive loss is as follows:

	June 30, 2010	December 31, 2009
Foreign currency translation losses	$ (4,653)	$ (3,214)
Unrecognized pension and postretirement benefit costs, net of tax	(10,172)	(10,314)
Total accumulated other comprehensive loss	$ (14,825)	$ (13,528)

(10) Employee Benefit Plans

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

	For the Three Months Ended June 30,	
	2010	2009
Service cost	$ 200	$ 197
Interest cost	1,919	1,934
Expected return on assets	(2,335)	(2,253)
Amortization of prior service cost	65	72
Amortization of actuarial loss	55	34
Net periodic pension and postretirement benefit	$ (96)	$ (16)

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

	For the Six Months Ended June 30,	
	2010	2009
Service cost	$ 400	$ 393
Interest cost	3,838	3,867
Expected return on assets	(4,670)	(4,505)
Amortization of prior service cost	130	144
Amortization of actuarial loss	110	68
Net periodic pension and postretirement benefit	$ (192)	$ (33)

As of June 30, 2010, the Company had not made any cash contributions to its pension plans for this fiscal year and does not anticipate making any significant cash contributions to its pension plans in 2010.

During April 2010, the Company's 401(k) matching contribution on eligible employee contributions that was previously suspended during April 2009 was reinstated.

(11) 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 June 30, 2010 and 2009 *:*

	For the Three Months Ended June 30,	
	2010	2009
Net sales	$ 46,962	$ 22,246
Cost of materials	39,103	19,387
Income before taxes	3,319	(501)
Net income (loss)	2,896	(274)

The following information summarizes financial data for this joint venture for the six months ended June 30, 2010 and 2009 *:*

	For the Six Months Ended June 30,	
	2010	2009
Net sales	$ 85,607	$ 53,561
Cost of materials	71,286	46,574
Income before taxes	5,348	(398)
Net income (loss)	4,628	(318)

(12) Commitments and Contingent Liabilities

At June 30, 2010, the Company had $3,098 of irrevocable letters of credit outstanding which primarily consisted of $2,448 for compliance with the insurance reserve requirements of its workers' compensation insurance carrier.

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

(13) Income Taxes

The Company or its subsidiaries files income tax returns in the U.S., 29 states and seven foreign jurisdictions. The tax years 2006 through 2009 remain open to examination by the major taxing jurisdictions to which the Company or its subsidiaries is subject.

At June 30, 2010, the Company recorded a $5,253 reduction in income tax receivable and a corresponding reduction in deferred income tax liability to reflect the revised estimate resulting from the finalization of the 2009 tax LIFO calculation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Amounts in millions except per share data

Disclosure Regarding Forward-Looking Statements

Information provided and statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements only speak as of the date of this report and the Company assumes no obligation to update the information included in this report. Such forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as "believe," "expect," "anticipate," "intend," "predict," "plan," or similar expressions. These statements are not guarantees of performance or results, and they involve risks, uncertainties, and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements, including those risk factors identified in Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. 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 "Condensed Consolidated Financial Statements (unaudited)".

Executive Overview

Economic Trends and Current Business Conditions

A. M. Castle & Co. and subsidiaries (the "Company") experienced higher demand in the second quarter of 2010 compared to the prior year period in both the Metals and Plastics segments, reflecting the increases in the overall global economy compared to the second quarter of 2009.

Metals segment sales increased 22.5% from the second quarter of 2009. Average tons sold per day increased 20.6%, which was primarily driven by alloy bar, carbon bar and tubing volume increases. Key end-use markets that experienced increased demand in the second quarter include oil and gas, mining equipment and heavy industrial equipment.

The Company's Plastics segment reported a sales increase of 27.6% compared to the second quarter of 2009, primarily due to higher sales volume reflecting strength in retail point-of-purchase display, life sciences applications and automotive.

Management uses the Purchaser's Managers Index ("PMI") provided by the Institute of 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 2008 through the second quarter of 2010. Generally speaking, an index above 50.0 indicates growth in the manufacturing sector of the U.S. economy, while readings under 50.0 indicate contraction. Based on the data below, the index rose above 50.0 during the third quarter of 2009 and has continued to increase through the second quarter of 2010.

YEAR	Qtr 1	Qtr 2	Qtr 3	Qtr 4
2008	49.2	49.5	47.8	36.1
2009	35.9	42.6	51.5	54.6
2010	58.2	58.8		

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. Therefore, management forecasts an increase in 2010 net sales due to a combination of demand and pricing increases. The long-term outlook on demand for the Company's end-markets is less predictable.

Results of Operations: Second Quarter 2010 Comparisons to Second Quarter 2009

Consolidated results by business segment are summarized in the following table for the quarter ended June 30, 2010 and 2009.

			Fav/(Unfav)	
	2010	*2009*	*$ Change*	*% Change*
Net Sales				
Metals	$ 213.3	$ 174.1	$ 39.2	22.5%
Plastics	26.8	21.0	5.8	27.6%
Total Net Sales	$ 240.1	$ 195.1	$ 45.0	23.1%
Cost of Materials				
Metals	$ 160.4	$ 130.6	$ (29.8)	(22.8)%
% of Metals Sales	*75.2 %*	*75.0 %*		
Plastics	18.1	14.5	(3.6)	(24.8)%
% of Plastics Sales	*67.5 %*	*69.0 %*		
Total Cost of Materials	$ 178.5	$ 145.1	$ (33.4)	(23.0)%
% of Total Sales	*74.3 %*	*74.4 %*		
Operating Costs and Expenses				
Metals	$ 52.4	$ 50.5	$ (1.9)	(3.8)%
Plastics	7.3	6.8	(0.5)	(7.4)%
Other	1.6	0.3	(1.3)	(433.3)%
Total Operating Costs & Expenses	$ 61.3	$ 57.6	$ (3.7)	(6.4)%
% of Total Sales	*25.5 %*	*29.5 %*		
Operating Income (Loss)				
Metals	$ 0.5	$ (7.0)	$ 7.5	107.1%
% of Metals Sales	*0.2 %*	*(4.0)%*		
Plastics	1.4	(0.3)	1.7	566.7%
% of Plastics Sales	*5.2 %*	*(1.4)%*		
Other	(1.6)	(0.3)	(1.3)	(433.3)%
Total Operating Income (Loss)	$ 0.3	$ (7.6)	$ 7.9	103.9%
% of Total Sales	*0.1 %*	*(3.9)%*		

"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 $240.1 million, an increase of $45.0 million, or 23.1%, compared to the second quarter of 2009. Higher net sales in the second quarter of 2010 were primarily the result of higher shipping volumes in the metals and plastics markets. Metals segment sales during the second quarter of 2010 of $213.3 million were $39.2 million, or 22.5%, higher than the same period last year. Average tons sold per day increased 20.6%. The increase in sales volume was driven primarily by alloy bar, carbon bar and tubing activity. Key end-use markets that experienced increased demand in the second quarter include oil and gas, mining equipment and heavy industrial equipment. Carbon and alloy plate volumes remained flat due to continued softness in the crane and construction industries. Aluminum sales volume was down compared to the same period last year as commercial and business jet markets have yet remained essentially flat.

Plastics segment sales during the second quarter of 2010 of $26.8 million were $5.8 million, or 27.6% higher than the second quarter of 2009 primarily due to higher sales volume reflecting increased demand in the retail point-of-purchase display, life sciences applications and automotive end-use markets.

Cost of Materials:

Cost of materials (exclusive of depreciation and amortization) during the second quarter of 2010 were $178.5 million, an increase of $33.4 million, or 23.0%, compared to the second quarter of 2009. Material costs for the Metals segment for the second quarter of 2010 were $160.4 million or 75.2% as a percent of sales compared to $130.6 million or 75.0% as a percent of sales for the second quarter of 2009. Material costs as a percentage of net sales were higher in second quarter of 2010 than 2009 due to several factors that occurred during the first half of 2010 including selling inventory at lower than anticipated prices due to a competitive pricing environment. Cost of materials increased in the second quarter of 2010 compared to 2009 by $29.8 million primarily due to the increase in sales volume. The Company recorded LIFO expense of $5.0 million in second quarter of 2010 compared to a LIFO credit of $25.2 million during the same prior year period. Material costs for the Plastics segment were 67.5% as a percent of sales for the second quarter of 2010 as compared to 69.0% for the same period last year, primarily due to pricing pressures easing during the second quarter of 2010.

Operating Expenses and Operating (Loss) Income:

On a consolidated basis, operating costs and expenses increased $3.7 million, or 6.4%, compared to the second quarter of 2009. Operating costs and expenses were $61.3 million, or 25.5% of sales, compared to $57.6 million, or 29.5% of sales during the second quarter of 2009. The increase in operating expenses for the second quarter of 2010 compared to the second quarter of 2009 primarily relate to the following:

- Warehouse, processing and delivery costs increased by $3.9 million of which $2.9 million is the result of higher sales volume and $1.0 million is due to increased payroll costs as the Company resumed full workweek schedules beginning in January 2010 and reinstated the Company 401(k) contributions in April 2010;

- Depreciation and amortization expense was $0.2 million lower primarily due to certain intangible assets becoming fully amortized in 2009.

Consolidated operating income for the second quarter of 2010 was $0.3 million compared to operating loss of $7.6 million for the same period last year. The Company's second quarter 2010 operating income as a percent of net sales increased to 0.1% from (3.9)% in the second quarter of 2009.

Other Income and Expense, Income Taxes and Net Income:

Interest expense was $1.3 million in the second quarter of 2010, a decrease of $0.3 million versus the same period in 2009 primarily as a result of reduced borrowings.

For the quarters ended June 30, 2010 and 2009, the Company recorded a $0.1 million tax expense and a $3.8 million tax benefit, respectively. The effective tax rate for the quarters ended June 30, 2010 and 2009 were 7.2% and 41.3%, respectively. The decline in the effective tax rate compared to the second quarter of 2009 was primarily the result of the increased earnings of the joint venture and the increased benefit due to the higher effective tax rate on U.S. source losses than on the Company's foreign source income.

Equity in earnings of the Company's joint venture, Kreher Steel, was $1.4 million in the second quarter of 2010, compared to equity in losses of $0.1 million for the same period last year. The increase is primarily a result of higher demand in the automotive and oil and gas sectors and higher pricing for Kreher's products compared to the same period last year.

Consolidated net income for the second quarter of 2010 was $0.4 million, or $0.02 per diluted share, versus net loss of $5.5 million, or $0.24 per diluted share, for the same period in 2009.

Results of Operations: Six Months 2010 Comparisons to Six Months 2009

Consolidated results by business segment are summarized in the following table for the six months ended June 30, 2010 and 2009.

			Fav/(Unfav)	
	2010	***2009***	***$ Change***	***% Change***
Net Sales				
Metals	$ 413.0	$ 405.2	$ 7.8	1.9%
Plastics	50.1	42.1	8.0	19.0%
Total Net Sales	$ 463.1	$ 447.3	$ 15.8	3.5%
Cost of Materials				
Metals	$ 313.4	$ 298.4	$ (15.0)	(5.0)%
% of Metals Sales	*75.9 %*	*73.6 %*		
Plastics	34.2	28.9	(5.3)	(18.3)%
% of Plastics Sales	*68.3 %*	*68.6 %*		
Total Cost of Materials	$ 347.6	$ 327.3	$ (20.3)	(6.2)%
% of Total Net Sales	*75.1 %*	*73.2 %*		
Operating Costs and Expenses				
Metals	$ 105.0	$ 109.8	$ 4.8	4.4%
Plastics	14.3	13.9	(0.4)	(2.9)%
Other	3.0	2.2	(0.8)	(36.4)%
Total Operating Costs & Expenses	$ 122.3	$ 125.9	$ 3.6	2.9%
% of Total Net Sales	*26.4 %*	*28.1 %*		
Operating (Loss) Income				
Metals	$ (5.4)	$ (3.0)	$ (2.4)	(80.0)%
% of Metals Sales	*(1.3)%*	*(0.7)%*		
Plastics	1.6	(0.7)	2.3	328.6%
% of Plastics Sales	*3.2 %*	*(1.7)%*		
Other	(3.0)	(2.2)	(0.8)	(36.4)%
Total Operating (Loss) Income	$ (6.8)	$ (5.9)	$ (0.9)	(15.3)%
% of Total Net Sales	*(1.5)%*	*(1.3)%*		

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

Net Sales:

Consolidated net sales were $463.1 million, an increase of $15.8 million, or 3.5%, versus the first half of 2009. Higher net sales were primarily the result of higher shipping volumes in the metals and plastics markets. Metals segment sales during the first half of 2010 of $413.0 million were $7.8 million, or 1.9%, higher than the same period last year. Average tons sold per day increased 2.9%. The increase in demand experienced in the first half of 2010 was driven primarily by alloy and carbon bar, alloy and carbon plate and tubing activity. Key end-use markets that experienced increased demand in the first half of 2010 include oil and gas, mining equipment and heavy industrial equipment.

Plastics segment sales during the first half of 2010 of $50.1 million were $8.0 million, or 19.0% higher than the same period last year. The Plastics business also experienced increased sales volume during the six months ended June 30, 2010 reflecting strength in retail point-of-purchase display, life sciences applications and automotive end-use markets.

Cost of Materials:

Cost of materials (exclusive of depreciation and amortization) during the first half of 2010 were $347.6 million, an increase of $20.3 million, or 6.2%, compared to the first half of 2009. Material costs for the Metals segment for the first six months of 2010 were $313.4 million or 75.9% as a percent of sales compared to $298.4 million or 73.6% as a percent of sales for the first six months of 2009. Material costs as a percentage of net sales were higher in the first half of 2010 than 2009 due to several factors that occurred during the first half of 2010 including selling inventory at lower than anticipated prices due to a competitive pricing environment. Cost of materials increased by $15.0 million during the first half of 2010 compared to the same 2009 period. On average, material costs were lower in the first six months of 2010 compared to the same 2009 period. Additionally, the Company had LIFO expense of $5.0 million in 2010 compared to a LIFO credit of $25.2 million during the prior year period. Material costs for the Plastics segment were consistent at 68.3% and 68.6% as a percent of sales for the first half of 2010 and 2009, respectively.

Operating Expenses and Operating Loss:

On a consolidated basis, year-to-date operating costs and expenses decreased $3.6 million, or 2.9%, compared to the same period last year. Operating costs and expenses were $122.3 million, or 26.4% as a percent of sales, compared to $125.9 million, or 28.1% as a percent of sales last year. In response to the declining demand for its products resulting from continued challenges in the global economy and the metals and plastics markets, the Company implemented numerous initiatives during April 2009 in response to lower sales activity levels. The cost reduction actions primarily focused on payroll related costs, the Company's largest operating expense category, resulting in reduced work weeks and furloughs, suspension of the Company's 401(k) contributions, and executive salary cuts of at least 10 percent. Full workweeks and 401(k) contributions were reinstated in January and April 2010, respectively.

The decrease in operating expenses for the first half of 2010 compared to 2009 primarily relate to the following:

- Warehouse, processing and delivery costs increased by $1.9 million which is comprised of a $2.9 million increase due to higher sales volume, partially offset by a $1.0 million decrease resulting from the incremental impact of the cost reduction initiatives implemented in 2009 related to workforce reductions and suspension of the Company 401(k) contributions;

- Sales, general and administrative costs decreased by $5.1 million primarily due to lower payroll related costs of $4.6 million resulting from the incremental impact of the cost reduction initiatives implemented in 2009 related to workforce reductions and suspension of the Company 401(k) contributions and lower ERP implementation costs of $0.7 million; and
- Depreciation and amortization expense was $0.4 million lower due to a decrease in capital expenditures across the Company in 2009 and 2010 compared to previous years and certain intangible assets becoming fully amortized in 2009.

Consolidated operating loss for the six months ended June 30, 2010 was $6.8 million compared to operating loss of $5.9 million for the same period last year, primarily due to lower sales volume during the first quarter of 2010 compared to 2009.

Other Income and Expense, Income Taxes and Net Income:

Interest expense was $2.5 million for the six months ended June 30, 2010, a decrease of $0.7 million versus the same period in 2009 primarily as a result of reduced borrowings.

For the six-month periods ended June 30, 2010 and 2009, the Company recorded a $2.8 million tax benefit and a $4.2 million tax benefit, respectively. The $2.8 million tax benefit for the six-month period ended June 30, 2010 is due to pre-tax losses incurred for the first six months of 2010. The effective tax rate for the six months ended June 30, 2010 and 2009 were 29.8% and 46.4%, respectively. The decline in the 2010 effective tax rate compared to the six months ending June 30, 2009 was primarily the result of the increased earnings of the joint venture and by the increased benefit due to the higher effective tax rate on U.S. source losses than on the Company's foreign source income.

Equity in earnings of the Company's joint venture, Kreher Steel, was $2.3 million for the six months ended 2010, compared to equity in losses of $0.2 million for the same period last year. The increase is a result of higher demand and pricing for Kreher's products compared to the same period last year.

Consolidated net loss for the first half of 2010 was $4.2 million, or $0.18 per diluted share, versus a net loss of $5.0 million, or $0.22 per diluted share, for the same period in 2009.

Accounting Policies:

Effective January 1, 2010, the Company adopted new consolidation guidance that applies to variable interest entities.

See *Note 2* to the condensed consolidated financial statements for more information regarding the Company's adoption of standards updates. There have been no changes in critical accounting policies from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

Liquidity and Capital Resources

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

In the first half of 2009, the Company focused on reducing working capital, primarily inventory levels, in response to decreased demand for the Company's products, which resulted in net cash flow from operations of $16.5 million. During the first half of 2010, the Company increased working capital levels to support increased sales activity, which resulted in net cash flow from operations of $2.7 million.

During the six months ended June 30, 2010, net sales exceeded cash receipts from customers, resulting in a cash outflow of $28.1 million for the six months ended June 30, 2010 compared to a $47.0 million cash inflow for the six months ended June 30, 2009. Net sales increased 3.5% from the first half of 2010. Average receivable days outstanding was 49.4 days for the six months ended June 30, 2010 as compared to 55.6 days for first half of 2009, reflecting faster collections.

During the six months ended June 30, 2010, sales of inventory exceeded inventory purchases, resulting in a cash inflow of $0.3 million for the six months ended June 30, 2010 compared to a $31.8 million cash inflow for the six months ended June 30, 2009. Average days sales in inventory was 146.2 days for the six months ended June 30, 2010 versus 187.3 days for the first half of 2009. There was an 8 day reduction in average inventory days outstanding during the second quarter 2010 as compared to the first quarter of 2010 primarily resulting from the Company's inventory reduction efforts in all of its businesses. Management remains committed to improving these turn rates during the balance of 2010.

During the six months ended June 30, 2010, purchases exceeded cash paid for inventories and other goods and services, resulting in a cash inflow of $26.3 million during the six months ended June 30, 2010 compared to a cash outflow of $49.2 million for the same period last year.

On November 5, 2009 the Company filed a universal shelf registration statement with the Securities and Exchange Commission, which was declared effective on November 23, 2009. The registration statement gives the Company the flexibility to offer and sell from time to time in the future up to $100 million of equity, debt or other types of securities as described in the registration statement, or any combination of such securities. If securities are issued, the Company may use the proceeds for general corporate purposes, including acquisitions, capital expenditures, working capital and repayment of debt.

Available revolving credit capacity is primarily used to fund working capital needs. Taking into consideration the most recent borrowing base calculation as of June 30, 2010, which reflects trade receivables, inventory, letters of credit and other outstanding secured indebtedness, available credit capacity consisted of the following:

Debt type	Outstanding Borrowings as of June 30, 2010	Availability as of June 30, 2010	Weighted Average Interest Rate for the six months ended June 30, 2010
U.S. Revolver A	$ 1.8	$ 81.9	2.43%
U.S. Revolver B	24.0	26.0	1.36%
Canadian facility	—	9.3	0.23%
Trade acceptances	9.4	n/a	1.22%

(a) A trade acceptance is a form of debt instrument having a definite maturity and obligation to pay and which has been accepted by an acknowledgement by the company upon whom it is drawn.

As of June 30, 2010, the Company had $11.2 million of short-term debt which includes trade acceptances of $9.4 million and $1.8 million related to the U.S. Revolver A. The Company has classified U.S. Revolver A as short-term based on its ability and intent to repay amounts outstanding under this instrument within the next 12 months.

Management believes the Company will be able to generate sufficient cash from operations and planned working capital improvements (principally from reduced inventories) to fund its ongoing capital expenditure programs and meet its debt obligations. In addition, the Company has available borrowing capacity, as discussed above.

Capital expenditures for the six months ended June 30, 2010 were $3.3 million, a decrease of $1.7 million compared to the same period last year. Management believes that annual capital expenditures will approximate $8.0 to 10.0 million in 2010.

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 *:*

2010	$	7.6
2011		7.8
2012		8.1
2013		32.5
2014		9.1
2015 and beyond		9.6
Total debt	$	74.7

As of June 30, 2010 the Company remained in compliance with the covenants of its credit agreements, which require it to maintain certain funded debt-to-capital and working capital-to-debt ratios, and a minimum adjusted consolidated net worth, as defined in the Company's credit agreements and outlined in the table below:

Covenant Description	**Requirement per Credit Agreement**	**Actual at June 30, 2010**	
Funded debt-to-capital ratio	less than 0.55		0.18
Working capital-to-debt ratio	greater than 1.0		3.60
Minimum adjusted consolidated net worth	$261.6	$	324.3

As of June 30, 2010, the Company had $3.1 million of irrevocable letters of credit outstanding, which primarily consisted of $2.4 million for compliance with the insurance reserve requirements of its workers' compensation insurance carrier.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

The Company is exposed to interest rate, commodity price, and foreign exchange rate risks that arise in the normal course of business. There have been no significant or material changes to such risks since December 31, 2009. Refer to Item 7a in the Company's Annual Report on Form 10-K filed for the year ended December 31, 2009 for further discussion of such risks.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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

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

In its Annual Report on Form 10-K for the year ended December 31, 2009, the Company reported that, based upon their review and evaluation, the Company's disclosure controls and procedures were effective as of December 31, 2009.

As part of its evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report, and in accordance with the framework published by the Committee of Sponsoring Organizations of the Treadway Commission, referred to as the *Internal Control — Integrated Framework,* the Company's management has concluded that our internal control over financial reporting was effective as of the end of the period covered by this report.

Changes in Internal Controls

There were no significant changes in the Company's internal controls over financial reporting during the three months ended June 30, 2010 that were identified in connection with the evaluation referred to in paragraph (a) above that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 6. Exhibits

Exhibit No.	Description
31.1	CEO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1	CEO and CFO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002

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SIGNATURE

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

A. M. Castle & Co.
(Registrant)

Date: July 29, 2010

By: /s/ Patrick R. Anderson
Patrick R. Anderson
Vice President — Controller and
Chief Accounting Officer
(Mr. Anderson has been authorized to sign on behalf of the Registrant.)

Exhibit Index

The following exhibits are filed herewith or incorporated by reference:

Exhibit No.	Description	Page
31.1	CEO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002	E-1
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002	E-2
32.1	CEO and CFO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002	E-3

Exhibit 31.1

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

I, Michael H. Goldberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of A. M. Castle & Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)] for the Company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 29, 2010

/s/ Michael H. Goldberg
Michael H. Goldberg
President and Chief Executive Officer

Exhibit 31.2

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

I, Scott F. Stephens certify that:

1. I have reviewed this quarterly report on Form 10-Q of A. M. Castle & Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)] for the Company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 29, 2010

/s/ Scott F. Stephens
Scott F. Stephens
Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of A. M. Castle & Co. (the “Company”) on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Michael H. Goldberg, President and Chief Executive Officer (Principal Executive Officer) and Scott F. Stephens, Vice President and Chief Financial Officer (Principal Financial Officer) of the Company, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Michael H. Goldberg
Michael H. Goldberg
President and Chief Executive Officer
July 29, 2010

/s/ Scott F. Stephens
Scott F. Stephens
Vice President and Chief Financial Officer
July 29, 2010

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