

**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 September 30, 2019

or

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

For the transition period from _____ to _____

Commission File Number: 1-5415

A. M. Castle & Co.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation of organization)

36-0879160

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

1420 Kensington Road, Suite 220, Oak Brook, Illinois

(Address of principal executive offices)

60523

(Zip Code)

Registrant's telephone, including area code **(847) 455-7111**

(Former name, former address and former fiscal year, if changed since last report) **None**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading symbol(s)

Name of each exchange on which registered

Common Stock, Par Value \$0.01 Per Share

CTAM

OCTQX Best Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

[Table of Contents](#)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

The number of shares outstanding of the registrant's common stock as of November 5, 2019 was 3,649,658 shares.

	Page
Part I. Financial Information	
Item 1.	Financial Statements (unaudited):
	Condensed Consolidated Balance Sheets 3
	Condensed Consolidated Statements of Operations and Comprehensive Loss 4
	Condensed Consolidated Statements of Cash Flows 5
	Condensed Consolidated Statements of Stockholders' Equity (Deficit) 6
	Notes to Condensed Consolidated Financial Statements 8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk 31
Item 4.	Controls and Procedures 31
Part II. Other Information	
Item 1.	Legal Proceedings 32
Item 1A.	Risk Factors 32
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 32
Item 3.	Defaults Upon Senior Securities 32
Item 4.	Mine Safety Disclosures 32
Item 5.	Other Information 32
Item 6.	Exhibits 32
Signature	33

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Amounts in thousands, except par value and per share data

**A.M. Castle & Co.
Condensed Consolidated Balance Sheets**

	As of	
	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,499	\$ 8,668
Accounts receivable, less allowances of \$1,847 and \$1,364, respectively	87,859	79,757
Inventories	150,126	160,686
Prepaid expenses and other current assets	7,726	14,344
Income tax receivable	2,139	1,268
Total current assets	255,349	264,723
Goodwill and intangible assets	8,176	8,176
Prepaid pension cost	2,320	1,754
Deferred income taxes	1,260	1,261
Operating right-of-use assets	30,054	—
Other noncurrent assets	401	1,278
Property, plant and equipment:		
Land	5,578	5,577
Buildings	20,911	21,218
Machinery and equipment	40,356	38,394
Property, plant and equipment, at cost	66,845	65,189
Accumulated depreciation	(17,420)	(11,989)
Property, plant and equipment, net	49,425	53,200
Total assets	<u>\$ 346,985</u>	<u>\$ 330,392</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 47,758	\$ 42,719
Accrued and other current liabilities	13,203	16,631
Operating lease liabilities	6,422	—
Income tax payable	670	1,589
Short-term borrowings	4,028	5,498
Current portion of finance leases	614	119
Total current liabilities	72,695	66,556
Long-term debt, less current portion	262,077	245,966
Deferred income taxes	6,564	7,540
Finance leases, less current portion	8,347	61
Build-to-suit liability	—	9,975
Other noncurrent liabilities	2,929	3,334
Pension and postretirement benefit obligations	6,290	6,321
Noncurrent operating lease liabilities	23,464	—
Commitments and contingencies (see Note 13)		
Stockholders' deficit:		
Common stock, \$0.01 par value—200,000 Class A shares authorized with 3,818 shares issued and 3,650 shares outstanding at September 30, 2019, and 3,803 shares issued and outstanding at December 31, 2018	38	38
Additional paid-in capital	59,854	55,421
Accumulated deficit	(78,729)	(50,472)
Accumulated other comprehensive loss	(16,090)	(14,348)
Treasury stock, at cost — 168 shares at September 30, 2019 and no shares at December 31, 2018	(454)	—
Total stockholders' deficit	(35,381)	(9,361)
	<u>\$ 346,985</u>	<u>\$ 330,392</u>

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

**A.M. Castle & Co.
Condensed Consolidated Statements of Operations
and Comprehensive Loss**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net sales	\$ 136,113	\$ 148,109	\$ 433,570	\$ 444,396
Costs and expenses:				
Cost of materials (exclusive of depreciation)	103,019	110,896	323,918	331,861
Warehouse, processing and delivery expense	18,759	21,092	59,577	62,612
Sales, general and administrative expense	16,048	16,871	49,027	50,393
Depreciation expense	2,055	2,227	6,306	6,965
Total costs and expenses	139,881	151,086	438,828	451,831
Operating loss	(3,768)	(2,977)	(5,258)	(7,435)
Interest expense, net	10,204	8,746	29,503	24,001
Other income, net	(697)	(3,000)	(4,779)	(7,101)
Loss before income taxes	(13,275)	(8,723)	(29,982)	(24,335)
Income tax benefit	(1,079)	(2,068)	(1,479)	(4,026)
Net loss	<u>\$ (12,196)</u>	<u>\$ (6,655)</u>	<u>\$ (28,503)</u>	<u>\$ (20,309)</u>
Basic and diluted loss per common share	<u>\$ (5.49)</u>	<u>\$ (3.33)</u>	<u>\$ (13.11)</u>	<u>\$ (10.15)</u>
Comprehensive loss:				
Net loss	\$ (12,196)	\$ (6,655)	\$ (28,503)	\$ (20,309)
Change in unrecognized pension and postretirement benefit costs, net of tax	23	—	69	—
Foreign currency translation adjustments, net of tax	(1,068)	(1,014)	(1,811)	(3,013)
Comprehensive loss	<u>\$ (13,241)</u>	<u>\$ (7,669)</u>	<u>\$ (30,245)</u>	<u>\$ (23,322)</u>

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

A.M. Castle & Co.
Condensed Consolidated Statements of Cash Flows

	Nine Months Ended September 30,	
	2019	2018
Operating activities:		
Net loss	\$ (28,503)	\$ (20,309)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	6,306	6,965
Amortization of deferred financing costs and debt discount	8,511	5,762
Loss (gain) on sale of property, plant and equipment	210	(4)
Unrealized foreign currency gain	(223)	(784)
Noncash interest paid in kind	11,810	9,755
Noncash rent expense	544	—
Noncash compensation expense	1,715	2,063
Deferred income taxes	(2,016)	(4,188)
Other, net	—	463
Changes in assets and liabilities:		
Accounts receivable	(8,356)	(15,253)
Inventories	10,029	(14,324)
Prepaid expenses and other current assets	5,873	(3,614)
Other noncurrent assets	(134)	540
Prepaid pension costs	(566)	(2,065)
Accounts payable	5,093	8,947
Income tax payable and receivable	(1,805)	(83)
Accrued and other current liabilities	(3,451)	1,791
Lease liabilities	(340)	—
Pension and postretirement benefit obligations and other noncurrent liabilities	(111)	(287)
Net cash from (used in) operating activities	4,586	(24,625)
Investing activities:		
Capital expenditures	(3,530)	(4,909)
Proceeds from sale of property, plant and equipment	442	53
Net cash used in investing activities	(3,088)	(4,856)
Financing activities:		
Proceeds from long-term debt including credit facilities	3,500	45,454
Repayments of long-term debt including credit facilities	(4,488)	(17,600)
Repayments of short-term borrowings, net	(1,238)	(607)
Principal paid on financing leases	(454)	—
Payments of debt issue costs	—	(499)
Payments of build-to-suit liability	—	(897)
Net cash (used in) from financing activities	(2,680)	25,851
Effect of exchange rate changes on cash and cash equivalents	13	(118)
Net change in cash and cash equivalents	(1,169)	(3,748)
Cash and cash equivalents - beginning of year	8,668	11,104
Cash and cash equivalents - end of period	<u>\$ 7,499</u>	<u>\$ 7,356</u>

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

**A.M. Castle & Co.
Consolidated Statements of Stockholders' Equity (Deficit)**

	Common Shares	Treasury Shares	Common Stock	Treasury Stock	Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as of June 30, 2018	3,803	—	\$ 38	\$ —	\$ 53,212	\$ (26,981)	\$ (4,668)	\$ 21,601
Net loss	—	—	—	—	—	(6,655)	—	(6,655)
Foreign currency translation, net of tax	—	—	—	—	—	—	(1,014)	(1,014)
Change in unrecognized pension and postretirement benefit costs, \$0 tax effect	—	—	—	—	—	—	—	—
Reclassification to equity of interest paid in kind attributable to conversion option, net of \$0 tax effect	—	—	—	—	1,169	—	—	1,169
Share-based compensation	—	—	—	—	454	—	—	454
Vesting of restricted shares and other	—	—	—	—	37	—	—	37
Balance as of September 30, 2018	<u>3,803</u>	<u>—</u>	<u>\$ 38</u>	<u>\$ —</u>	<u>\$ 54,872</u>	<u>\$ (33,636)</u>	<u>\$ (5,682)</u>	<u>\$ 15,592</u>
Balance as of June 30, 2019	3,818	(168)	\$ 38	\$ (454)	\$ 58,556	\$ (66,533)	\$ (15,045)	\$ (23,438)
Net loss	—	—	—	—	—	(12,196)	—	(12,196)
Foreign currency translation, net of tax	—	—	—	—	—	—	(1,068)	(1,068)
Change in unrecognized pension and postretirement benefit costs, net of \$0 tax effect	—	—	—	—	—	—	23	23
Reclassification to equity of interest paid in kind attributable to conversion option, net of \$326 tax effect	—	—	—	—	927	—	—	927
Share-based compensation	—	—	—	—	371	—	—	371
Vesting of restricted shares and other	—	—	—	—	—	—	—	—
Balance as of September 30, 2019	<u>3,818</u>	<u>(168)</u>	<u>\$ 38</u>	<u>\$ (454)</u>	<u>\$ 59,854</u>	<u>\$ (78,729)</u>	<u>\$ (16,090)</u>	<u>\$ (35,381)</u>

**A.M. Castle & Co.
Consolidated Statements of Stockholders' Equity (Deficit)**

	Common Shares	Treasury Shares	Common Stock	Treasury Stock	Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as of December 31, 2017	3,734	—	\$ 37	\$ —	\$ 49,944	\$ (13,327)	\$ (2,669)	\$ 33,985
Net loss	—	—	—	—	—	(20,309)	—	(20,309)
Foreign currency translation, net of tax	—	—	—	—	—	—	(3,013)	(3,013)
Change in unrecognized pension and postretirement benefit costs, \$0 tax effect	—	—	—	—	—	—	—	—
Reclassification to equity of interest paid in kind attributable to conversion option, net of \$0 tax effect	—	—	—	—	3,447	—	—	3,447
Share-based compensation	69	—	—	—	1,362	—	—	1,362
Vesting of restricted shares and other	—	—	1	—	119	—	—	120
Balance as of September 30, 2018	<u>3,803</u>	<u>—</u>	<u>\$ 38</u>	<u>\$ —</u>	<u>\$ 54,872</u>	<u>\$ (33,636)</u>	<u>\$ (5,682)</u>	<u>\$ 15,592</u>
Balance as of December 31, 2018	3,803	—	\$ 38	\$ —	\$ 55,421	\$ (50,472)	\$ (14,348)	\$ (9,361)
Cumulative effect from adoption of the new lease standard (Leases: Topic 842) (Note 8)	—	—	\$ —	—	—	246	—	246
Net loss	—	—	—	—	—	(28,503)	—	(28,503)
Foreign currency translation, net of tax	—	—	—	—	—	—	(1,811)	(1,811)
Change in unrecognized pension and postretirement benefit costs, net of \$0 tax effect	—	—	—	—	—	—	69	69
Reclassification to equity of interest paid in kind attributable to conversion option, net of \$961 tax effect	—	—	—	—	2,735	—	—	2,735
Share-based compensation	—	—	—	—	1,143	—	—	1,143
Vesting of restricted shares and other	15	(168)	—	(454)	555	—	—	101
Balance as of September 30, 2019	<u>3,818</u>	<u>(168)</u>	<u>\$ 38</u>	<u>\$ (454)</u>	<u>\$ 59,854</u>	<u>\$ (78,729)</u>	<u>\$ (16,090)</u>	<u>\$ (35,381)</u>

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

A. M. Castle & Co.
Notes to Condensed Consolidated Financial Statements
Unaudited - Amounts in thousands except per share data and percentages

(1) Basis of Presentation

The Condensed Consolidated Financial Statements of A.M. Castle & Co. and its consolidated subsidiaries (collectively, the "Company") included herein and the Notes thereto have been prepared by the Company, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"), and accounting principles generally accepted in the United States of America ("GAAP"). The Condensed Consolidated Balance Sheet at December 31, 2018 is derived from the audited financial statements at that date. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. In the opinion of the Company's management, the unaudited statements included herein contain all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of financial results for the interim period. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. The operating results for the three and nine months ended September 30, 2019, as reported herein, may not necessarily be indicative of the Company's operating results for the full year.

(2) New Accounting Standards

Standards Updates Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)", which requires that lessees recognize assets and liabilities for leases with lease terms greater than 12 months in the statement of financial position. ASU No. 2016-02 also requires additional disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The provisions of ASU No. 2016-02 are to be applied using a modified retrospective approach, and are effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period. Topic 842 was subsequently amended by ASU No. 2018-01, "Land Easement Practical Expedient for Transition to Topic 842"; ASU No. 2018-10, "Codification Improvements to Topic 842, Leases"; ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements" ("ASU 2018-11"); and ASU No. 2018-20, "Narrow-Scope Improvements for Lessors" (collectively, "ASC 842"). ASU 2018-11 provides clarity on separating components of a lease contract and includes an option to not restate comparative periods in transition and elect to use the effective date of Topic 842 as the date of initial application.

The Company adopted ASC 842 effective January 1, 2019 using the modified retrospective approach, as required. The Company elected the transition method that allows it to apply the new standard only to leases existing at the date of initial application, January 1, 2019, and recognized the cumulative effect of initially applying the standard as an adjustment to opening retained earnings for the fiscal year beginning January 1, 2019. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The Company has also elected the package of practical expedients permitted under the transition guidance, which among other things, allows the Company to carryforward the historical lease classification. ASC 842 also provides practical expedients for an entity's ongoing accounting. The Company has made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet and recognize those lease payments in the Condensed Consolidated Statements of Operations and Comprehensive Loss on a straight-line basis over the lease term. The Company has also elected the practical expedient to not separate lease and non-lease components for all of its real estate leases.

The adoption of ASC 842 resulted in recognition of additional operating right of use assets and lease liabilities on the Company's Condensed Consolidated Balance Sheets as of January 1, 2019 of \$35,508 and \$35,470, respectively. Additionally, the Company's build-to-suit financing obligation has been classified as a finance lease liability, resulting in a \$246 adjustment to the Company's beginning accumulated deficit. The adoption of Topic 842 did not have a material effect on the Company's consolidated net loss or liquidity. The Company has reclassified certain prior year presentations to conform to the current period presentation under ASC 842. Refer to *Note 8 - Leases*, for further information and disclosures related to the adoption of ASC 842.

Standards Updates Issued Not Yet Effective

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." ASU No. 2018-13 amends Fair Value Measurement (Topic 820) to add, remove, and modify fair value measurement disclosure requirements. The ASU's changes to disclosures aim to improve the effectiveness of Topic 820's disclosure requirements under the aforementioned FASB disclosure framework project. ASU No. 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods within the year of adoption. Early adoption is permitted for any eliminated or modified disclosures prescribed by the ASU. The Company will adopt the disclosure requirements of ASU No. 2018-13 in fiscal year 2020.

Also in August 2018, the FASB issued ASU No. 2018-14, "Compensation – Retirement Benefits – Defined Benefit Plans - General (Topic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plan." ASU No. 2018-14 amends Compensation - Retirement Benefits (Topic 715) to add or remove certain disclosure requirements related to defined benefit pension and other postretirement plans. The ASU's changes to disclosures aim to improve the effectiveness of Topic 715's disclosure requirements under the FASB's disclosure framework project. ASU No. 2018-14 is effective for public entities for fiscal years beginning after December 15, 2020. ASU No. 2018-14 does not impact the interim disclosure requirements of Topic 715. Early adoption is permitted. The Company will adopt the disclosure requirements of this new guidance in fiscal year 2021.

(3) Revenue

The Company recognizes revenue from the sale of products when the earnings process is complete and when the title and risk and rewards of ownership have passed to the customer, which is primarily at the time of shipment. Revenue recognized other than at the time of shipment represented less than 1% of the Company's consolidated net sales in the three and nine months ended September 30, 2019 and September 30, 2018, respectively. Customer payment terms are established prior to the time of shipment. Provisions for allowances related to sales discounts and rebates are recorded based on terms of the sale in the period that the sale is recorded. The Company utilizes historical information and the current sales trends of the Company's business to estimate such provisions. The provisions related to discounts and rebates due to customers are recorded as a reduction within net sales in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss.

The Company records revenue from shipping and handling charges in net sales. Costs incurred in connection with shipping and handling the Company's products, which are related to third-party carriers or performed by Company personnel, are included in warehouse, processing and delivery expenses. In the three months ended September 30, 2019 and September 30, 2018, shipping and handling costs included in warehouse, processing and delivery expenses were \$5,869 and \$6,662, respectively. In the nine months ended September 30, 2019 and September 30, 2018, shipping and handling costs included in warehouse, processing and delivery expenses were \$18,165 and \$20,267, respectively. As a practical expedient under Accounting Standards Codification No. 606, "Revenue from Contracts with Customers (Topic 606)" ("ASC 606"), the Company has elected to account for shipping and handling activities as fulfillment costs and not a promised good or service. As a result, there is no change to the Company's accounting for revenue from shipping and handling charges under ASC 606.

The Company maintains an allowance for doubtful accounts related to the potential inability of customers to make required payments. The allowance for doubtful accounts is maintained at a level considered appropriate based on historical experience and specific identification of customer receivable balances for which collection is unlikely. The provision for doubtful accounts is recorded in sales, general and administrative expense in the Company's Condensed Consolidated Statements of Operations and Comprehensive Loss. Estimates of doubtful accounts are based on historical write-off experience as a percentage of net sales and judgments about the probable effects of economic conditions on certain customers.

The Company also maintains an allowance for credit memos for estimated credit memos to be issued against current sales. Estimates of allowance for credit memos are based upon the application of a historical issuance lag period to the average credit memos issued each month.

Accounts receivable allowance for doubtful accounts and credit memos activity is as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Balance, beginning of period	\$ 1,701	\$ 1,678	\$ 1,364	\$ 1,586
Add Provision charged to expense ^(a)	142	(139)	529	34
Recoveries	7	10	18	36
Less Charges against allowance	(3)	(449)	(64)	(556)
Balance, end of period	<u>\$ 1,847</u>	<u>\$ 1,100</u>	<u>\$ 1,847</u>	<u>\$ 1,100</u>

^(a) Includes the net amount of credit memos reserved and issued.

The Company operates primarily in North America. Net sales are attributed to countries based on the location of the Company's subsidiary that is selling direct to the customer. Net sales exclude assessed taxes such as sales and excise tax. Company-wide geographic data is as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net sales				
United States	\$ 89,407	\$ 97,679	\$ 278,430	\$ 289,178
Canada	9,916	11,402	33,464	35,677
Mexico	11,700	16,767	37,221	48,305
France	13,013	11,944	41,638	38,981
China	7,751	6,129	29,329	19,945
All other countries	4,326	4,188	13,488	12,310
Total	<u>\$ 136,113</u>	<u>\$ 148,109</u>	<u>\$ 433,570</u>	<u>\$ 444,396</u>

The Company does not incur significant incremental costs when obtaining customer contracts and any costs that are incurred are generally not recoverable from its customers. Substantially all of the Company's customer contracts are for a duration of less than one year. As a practical expedient under ASC 606, the Company has elected to continue to recognize incremental costs of obtaining a contract, if any, as an expense when incurred if the amortization period of the asset would have been one year or less. The Company does not have any costs to obtain a contract that are capitalized under ASC 606.

(4) Loss Per Share

Diluted loss per common share is computed by dividing net loss by the weighted average number of shares of the common stock of A.M. Castle & Co. outstanding plus outstanding common stock equivalents. Common stock equivalents consist of restricted stock awards and other share-based payment awards, shares that may be issued upon conversion of the Company's outstanding 5.00% / 7.00% Convertible Senior Secured Paid-in-Kind ("PIK") Toggle Notes due 2022 (the "Second Lien Notes"), which are included in the calculation of weighted average shares outstanding using the if-converted method. Refer to *Note 6 - Debt*, for further description of the Second Lien Notes.

The following table is a reconciliation of the basic and diluted loss per common share calculations:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Numerator:				
Net loss	\$ (12,196)	\$ (6,655)	\$ (28,503)	\$ (20,309)
Denominator:				
Weighted average common shares outstanding	2,221	2,000	2,174	2,000
Effect of dilutive securities:				
Outstanding common stock equivalents	—	—	—	—
Denominator for diluted loss per common share	2,221	2,000	2,174	2,000
Basic loss per common share				
	\$ (5.49)	\$ (3.33)	\$ (13.11)	\$ (10.15)
Diluted loss per common share				
	\$ (5.49)	\$ (3.33)	\$ (13.11)	\$ (10.15)
Excluded outstanding share-based awards having an anti-dilutive effect	1,429	1,803	1,488	1,803

The computation of diluted loss per common share does not include common shares issuable upon conversion of the Company's Second Lien Notes, as they were anti-dilutive under the if-converted method.

The Second Lien Notes are convertible into shares of the Company's common stock at any time at the initial conversion price of \$3.77 per share. In future periods, absent a fundamental change (as defined in the Second Lien Notes Indenture, which is described in *Note 6 - Debt*), the outstanding Second Lien Notes could increase diluted average shares outstanding by a maximum of approximately 50,500 shares.

(5) Goodwill and Intangible Asset

As of both September 30, 2019 and December 31, 2018, the Company had goodwill with a carrying value of \$2,676, none of which is tax deductible. There were no changes in the amount of goodwill recognized in the nine months ended September 30, 2019. The Company's other intangible asset is comprised of an indefinite-lived trade name, which is not subject to amortization. The gross carrying value of the trade name intangible asset was \$5,500 at both September 30, 2019 and December 31, 2018.

The Company tests both its goodwill and intangible asset for impairment on an annual basis and more often if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

(6) Debt

Long-term debt consisted of the following:

	As of	
	September 30, 2019	December 31, 2018
LONG-TERM DEBT		
5.00% / 7.00% Second Lien Notes due August 31, 2022 ^(a)	\$ 190,325	\$ 180,894
Floating rate Revolving A Credit Facility due February 28, 2022	107,500	108,488
12.00% Revolving B Credit Facility due February 28, 2022 ^(b)	25,021	22,875
Less: unvested restricted Second Lien Notes ^(c)	(673)	(1,378)
Less: unamortized discount	(59,774)	(64,491)
Less: unamortized debt issuance costs	(322)	(422)
Total long-term debt	262,077	245,966
Less: current portion of long-term debt	—	—
Total long-term portion	\$ 262,077	\$ 245,966

^(a) Included in balance is interest paid in kind of \$21,881 as of September 30, 2019 and \$12,217 as of December 31, 2018.

^(b) Included in balance is interest paid in kind of \$3,521 as of September 30, 2019 and \$1,375 as of December 31, 2018.

^(c) Represents unvested portion of restricted Second Lien Notes issued to certain members of management (see *Note 10 - Share-based compensation*).

Credit Facilities

On August 31, 2017, the Company entered into the Revolving Credit and Security Agreement with PNC Bank, National Association ("PNC") as lender and as administrative and collateral agent (the "Agent"), and other lenders party thereto (the "ABL Credit Agreement"). The ABL Credit Agreement provides for a \$125,000 senior secured, revolving credit facility (the "Revolving A Credit Facility"), under which the Company and four of its subsidiaries each are borrowers (collectively, in such capacity, the "Borrowers"). The obligations of the Borrowers have been guaranteed by the subsidiaries of the Company named therein as guarantors.

On June 1, 2018, the Company entered into an Amendment No. 1 to ABL Credit Agreement (the "Credit Agreement Amendment") by and among the Company, the Borrowers and guarantors party thereto and the Agent and the other lenders party thereto, which amended the ABL Credit Agreement (as amended by the Credit Agreement Amendment, the "Expanded ABL Credit Agreement") to provide for additional borrowing capacity.

The Expanded ABL Credit Agreement provides for an additional \$25,000 last out Revolving B Credit Facility (the "Revolving B Credit Facility" and together with the Revolving A Credit Facility, the "Expanded Credit Facility"). The Expanded Credit Facility was made available in part by way of a participation in the Revolving B Credit Facility by certain of the Company's stockholders. Borrowings under the Expanded Credit Facility will mature on February 28, 2022.

Subject to certain exceptions and permitted encumbrances, the obligations under the Expanded Credit Facility are secured by a first priority security interest in substantially all of the assets of each of the Borrowers and certain subsidiaries of the Company that are named as guarantors. The proceeds of the advances under the Expanded Credit Facility may only be used to (i) pay certain fees and expenses to the Agent and the lenders under the Expanded Credit Facility, (ii) provide for the Borrowers' working capital needs and reimburse drawings under letters of credit, (iii) repay the obligations under the Debtor-in-Possession Revolving Credit and Security Agreement dated as of July 10, 2017, by and among the Company, the lenders party thereto, and PNC, and certain other existing indebtedness, and (iv) provide for the Borrowers' capital expenditure needs, in accordance with the Expanded ABL Credit Agreement.

The Company may prepay its obligations under the Expanded Credit Facility at any time without premium or penalty, and must apply the net proceeds of material sales of collateral in prepayment of such obligations. Payments made must be applied to the Company's obligations under the Revolving A Credit Facility, if any, prior to its obligations under the Revolving B Credit Facility. In connection with an early termination or permanent reduction of the Revolving A Credit Facility prior to June 1, 2020, a 0.25% fee shall be due for the period from June 1, 2019

through May 31, 2020, on the amount of such commitment reduction, subject to reduction as set forth in the Expanded ABL Credit Agreement. Indebtedness for borrowings under the Expanded Credit Facility is subject to acceleration upon the occurrence of specified defaults or events of default, including (i) failure to pay principal or interest, (ii) the inaccuracy of any representation or warranty of a loan party, (iii) failure by a loan party to perform certain covenants, (iv) defaults under indebtedness owed to third parties, (v) certain liability producing events relating to ERISA, (vi) the invalidity or impairment of the Agent's lien on its collateral or of any applicable guarantee, and (vii) certain adverse bankruptcy-related and other events.

Interest on indebtedness under the Revolving A Credit Facility accrues at a variable rate based on a grid with the highest interest rate being the applicable LIBOR-based rate plus a margin of 3.0%, as set forth in the Expanded ABL Credit Agreement. Interest on indebtedness under the Revolving B Credit Facility accrues at a rate of 12.0% per annum, which will be paid in kind unless the Company elects to pay such interest in cash and the Revolving B payment conditions specified in the Expanded ABL Credit Agreement are satisfied. Additionally, the Company must pay a monthly facility fee equal to the product of (i) 0.25% per annum (or, if the average daily revolving facility usage is less than 50% of the maximum revolving advance amount of the Expanded Credit Facility, 0.375% per annum) multiplied by (ii) the amount by which the maximum advance amount of the Expanded Credit Facility exceeds such average daily Expanded Credit Facility usage for such month.

The weighted average interest rate on outstanding borrowings under the Revolving A Credit Facility for the three and nine months ended September 30, 2019 was 5.29% and 5.47%, respectively, and 5.21% and 4.74% for the three and nine months ended September 30, 2018, respectively. The weighted average facility fee for each such quarter was 0.25%. The Company pays certain customary recurring fees with respect to the Expanded ABL Credit Agreement. Interest expense related to the Revolving B Credit Facility of \$744 and \$2,145 was paid in kind in the three and nine months ended September 30, 2019, respectively, and \$558 and \$738 was paid in kind in the three and nine months ended September 30, 2018, respectively.

The Expanded ABL Credit Agreement includes negative covenants customary for an asset-based revolving loan. Such covenants include limitations on the ability of the Borrowers to, among other things, (i) effect mergers and consolidations, (ii) sell assets, (iii) create or suffer to exist any lien, (iv) make certain investments, (v) incur debt and (vi) transact with affiliates. In addition, the Expanded ABL Credit Agreement includes customary affirmative covenants for an asset-based revolving loan, including covenants regarding the delivery of financial statements, reports and notices to the Agent. The Expanded ABL Credit Agreement also contains customary representations and warranties and event of default provisions for a secured term loan.

The Company's Expanded ABL Credit Agreement contains a springing financial maintenance covenant requiring the Company to maintain a Fixed Charge Coverage Ratio of 1.0 to 1.0 in any Covenant Testing Period (as defined in the Expanded ABL Credit Agreement) when the Company's liquidity (as defined in the Expanded ABL Credit Agreement) is less than \$12,500. The Company is not in a Covenant Testing Period as of September 30, 2019.

Unamortized debt issuance costs of \$322 associated with the Expanded ABL Credit Agreement were recorded as a reduction in long-term debt as of September 30, 2019.

Second Lien Notes

Also on August 31, 2017, the Company entered into an indenture (the "Second Lien Notes Indenture") with Wilmington Savings Fund Society, FSB, as trustee and collateral agent ("Indenture Agent") and, pursuant thereto, issued approximately \$164,902 in aggregate principal amount of the Second Lien Notes, including \$2,400 of restricted Second Lien Notes issued to certain members of management.

The Second Lien Notes are five year senior obligations of the Company and certain of its subsidiaries, secured by a lien on all or substantially all of the assets of the Company, its domestic subsidiaries and certain of its foreign subsidiaries, which lien the Indenture Agent has agreed will be junior to the lien of the Agent under the Expanded ABL Credit Agreement. The Second Lien Notes are convertible into shares of the Company's common stock at any time at the initial conversion price of \$3.77 per share, which rate is subject to adjustment as set forth in the Second Lien Notes Indenture.

Under the Second Lien Notes Indenture, upon the conversion of the Second Lien Notes in connection with a Fundamental Change (as defined in the Second Lien Notes Indenture), for each \$1.00 principal amount of the Second Lien Notes, that number of shares of the Company's common stock issuable upon conversion shall equal the greater of (a) \$1.00 divided by the then applicable conversion price or (b) \$1.00 divided by the price paid per share of the Company's common stock in connection with such Fundamental Change calculated in accordance with the Second Lien Notes Indenture, subject to other provisions of the Second Lien Notes Indenture. Subject to certain

exceptions, under the Second Lien Notes Indenture a “Fundamental Change” includes, but is not limited to, the following: (i) the acquisition of more than 50% of the voting power of the Company’s common equity by a “person” or “group” within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended; (ii) the consummation of any recapitalization, reclassification, share exchange, consolidation or merger of the Company pursuant to which the Company’s common stock will be converted into cash, securities or other property; (iii) the “Continuing Directors” (as defined in the Second Lien Notes Indenture) cease to constitute at least a majority of the board of directors; and (iv) the approval of any plan or proposal for the liquidation or dissolution of the Company by the Company’s stockholders.

Upon conversion, the Company will pay and/or deliver, as the case may be, cash, shares of the Company’s common stock or a combination of cash and shares of the Company’s common stock, at the Company’s election, together with cash in lieu of fractional shares. The value of shares of the Company’s common stock for purposes of the settlement of the conversion right, if the Company elects to settle in cash, will be calculated as provided in the Second Lien Notes Indenture, using a 20 trading day observation period.

The Second Lien Notes are guaranteed, jointly and severally, by certain subsidiaries of the Company. The Second Lien Notes and the related guarantees are secured by a lien on substantially all of the Company’s and the guarantors’ assets, subject to certain exceptions pursuant to certain collateral documents entered by the Company and the guarantors in connection with Second Lien Notes Indenture. The terms of the Second Lien Notes contain numerous covenants imposing financial and operating restrictions on the Company’s business. These covenants place restrictions on the Company’s ability and the ability of its subsidiaries to, among other things, pay dividends, redeem stock or make other distributions or restricted payments; incur indebtedness or issue certain stock; make certain investments; create liens; agree to certain payment restrictions affecting certain subsidiaries; sell or otherwise transfer or dispose assets; enter into transactions with affiliates; and enter into sale and leaseback transactions.

The Second Lien Notes may not be redeemed by the Company in whole or in part at any time, except the Company may be required to make an offer to purchase Second Lien Notes using the proceeds of certain material asset sales involving the Company or one of its restricted subsidiaries, as described more particularly in the Second Lien Notes Indenture. In addition, if a Fundamental Change occurs at any time, each holder of any Second Lien Notes has the right to require the Company to repurchase such holder’s Second Lien Notes for cash at a repurchase price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon, subject to certain exceptions.

Indebtedness for borrowings under the Second Lien Notes Indenture is subject to acceleration upon the occurrence of specified defaults or events of default, including failure to pay principal or interest, the inaccuracy of any representation or warranty of any obligor under the Second Lien Notes, failure by an obligor under the Second Lien Notes to perform certain covenants, the invalidity or impairment of the Indenture Agent’s lien on its collateral or of any applicable guarantee, and certain adverse bankruptcy-related and other events.

Interest on the Second Lien Notes accrues at the rate of 5.00% if paid in cash and at the rate of 7.00% if paid in kind. Pursuant to the terms of the Second Lien Notes Indenture, the Company is currently paying interest on the Second Lien Notes in kind. Interest expense related to the Second Lien Notes of \$3,277 and \$9,664 was paid in kind in the three and nine months ended September 30, 2019, respectively, and \$3,058 and \$9,017 in the three and nine months ended September 30, 2018, respectively.

Upon satisfaction of certain conditions more particularly described in the Second Lien Notes Indenture, including the deposit in trust of cash or securities sufficient to pay the principal of and interest and any premium on the Second Lien Notes, the Company may effect a covenant defeasance of certain of the covenants imposing financial and operating restrictions on the Company’s business. In addition, and subject to certain exceptions as more particularly described in the Second Lien Notes Indenture, the Company may amend, supplement or waive provisions of the Second Lien Notes Indenture with the consent of holders representing a majority in aggregate principal amount of the Second Lien Notes, and may in effect release collateral from the liens securing the Second Lien Notes with the consent of holders representing 66-2/3% in aggregate principal amount of the Second Lien Notes.

Short-term borrowings

The Company’s French subsidiary is party to a local credit facility under which it may borrow against 100% of the eligible accounts receivable factored, with recourse, up to 6,500 Euros. The French subsidiary is charged a factoring fee of 0.16% of the gross amount of accounts receivable factored. Local currency borrowings on the French subsidiary’s credit facility are charged interest at the daily 3-months Euribor rate plus a 1.0% margin and U.S

dollar borrowings on the credit facility are 3-months LIBOR plus a 1.0% margin. The French subsidiary utilizes the local credit facility to support its operating cash needs. As of September 30, 2019 and December 31, 2018, the French subsidiary had borrowings of \$3,236 and \$5,498, respectively, under their local credit facility.

On May 15, 2019, the Company's Chinese subsidiary entered into a local credit facility, which expires on February 18, 2020, under which it may borrow short term loans for up to 90 days in United States Dollars or Chinese Yuan up to the equivalent of 25,000 Chinese Yuan. Under the terms of the agreement, borrowings on the Chinese subsidiary's credit facility are currently charged interest at a rate of 4.79%. The Chinese subsidiary utilizes the local credit facility to finance its trading activities and all borrowings are guaranteed by the Chinese subsidiary's outstanding accounts receivable. As of September 30, 2019, the Chinese subsidiary had borrowings of \$792 under its local credit facility.

(7) Fair Value Measurements

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

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

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

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

The fair value of cash, accounts receivable and accounts payable approximate their carrying values. The fair value of cash equivalents are determined using the fair value hierarchy described above.

The Company's pension plan asset portfolio as of September 30, 2019 and December 31, 2018 is primarily invested in fixed income securities, which generally fall within Level 2 of the fair value hierarchy. Fixed income securities are valued based on evaluated prices provided to the trustee of the pension plan by independent pricing services. Such prices may be determined by various factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

As of September 30, 2019, the fair value of the Company's Second Lien Notes, including the conversion option, was estimated to be \$183,131 compared to a carrying value of \$190,325. As of December 31, 2018, the fair value of the Company's Second Lien Notes, including the conversion option, was estimated to be \$174,063 compared to a carrying value of \$180,894. The fair value of the Second Lien Notes, including the conversion option, falls within Level 3 of the fair value hierarchy. The fair value of the Second Lien Notes was determined using a binomial lattice model using assumptions based on market information and historical data, and a review of prices and terms available for similar debt instruments that do not contain a conversion feature, as well as other factors related to the callable nature of the Second Lien Notes.

The following valuation assumptions were used in determining the fair value of the Second Lien Notes, including the conversion option, as of September 30, 2019:

Risk-free interest rate	2.48 %
Credit spreads	18.96 %
PIK premium spread	2.00 %
Volatility	50.00 %

As of September 30, 2019, the fair value of the Company's Revolving B Credit Facility was estimated to be \$24,307 compared to a carrying value of \$25,021. As of December 31, 2018, the fair value of the Company's Revolving B Credit Facility was estimated to be \$22,124 compared to a carrying value of \$22,875. The fair value of the Revolving B Credit Facility was estimated based on a model that discounted future principal and interest payments at interest rates available to the Company at the end of the period for similar debt of the same maturity, which is a Level 2 input as defined by the fair value hierarchy.

Given the short-term nature and/or the variable interest rates, the fair value of borrowings under the Revolving A Credit Facility, the French subsidiary's foreign line of credit and the Chinese subsidiary's foreign line of credit approximated the carrying value as of September 30, 2019.

(8) Leases

The Company adopted ASC 842 effective January 1, 2019 using the modified retrospective approach. Refer to *Note - 2 New Accounting Standards* for additional information regarding the adoption of ASC 842.

The Company has operating and finance leases covering primarily warehouse and office facilities and equipment, with the lapse of time as the basis for all rental payments. The Company determines if an arrangement is a lease at inception.

Operating right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. In determining the estimated present value of lease payments, the Company uses its incremental borrowing rate based on the information available at the lease commencement date, with consideration given to the Company's recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating the Company's incremental borrowing rates.

The ROU assets also include any lease payments made and are reduced by any lease incentives received. The Company's lease terms may include options to extend or not terminate the lease when it is reasonably certain that it will exercise any such options. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized in operating loss on a straight-line basis over the expected lease term.

Real estate leases of warehouse and office facilities are the most significant leases held by the Company. For these leases, the Company has elected the practical expedient permitted under ASC 842 to account for the lease and non-lease components as a single lease component. As a result, non-lease components, such as common area maintenance charges, are accounted for as a single lease element. The Company's remaining operating leases are primarily comprised of leases of copiers, vehicles, and other warehouse equipment.

Certain of the Company's operating lease agreements include variable payments that are passed through by the landlord, such as insurance, taxes, and common area maintenance, payments based on the usage of the asset, and rental payments adjusted periodically for inflation. Pass-through charges, payments due to changes in usage of the asset, and payments due to changes in indexation are included within variable rent expense.

As a result of the adoption of ASC 842, the Company's build-to-suit liability recognized under the previous guidance was reclassified to a finance leases liability in the Condensed Consolidated Balance Sheet and is presented as such as of September 30, 2019.

None of the Company's lease agreements contain significant residual value guarantees, restrictions, or covenants.

Lease-related assets and liabilities consisted of the following:

	Classification on the Balance Sheet	September 30, 2019
ASSETS		
Operating lease assets	Operating right-of-use assets	\$ 30,054
Finance lease assets	Property, plant and equipment, net	10,555
Total lease assets		<u>40,609</u>
LIABILITIES		
Current		
Operating	Operating lease liabilities	\$ 6,422
Finance	Current portion of finance leases	614
Noncurrent		
Operating	Noncurrent operating lease liabilities	23,464
Finance	Finance leases, less current portion	8,347
Total lease liabilities		<u>\$ 38,847</u>

Weighted average remaining lease term	
Operating leases	5.8 years
Finance leases	11.1 years
Weighted average discount rate	
Operating leases	5.2 %
Finance leases	4.7 %

Lease-related expenses for the three and nine months ended September 30, 2019 were as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Finance lease expense:		
Amortization of finance lease assets	\$ 261	\$ 784
Interest on finance lease liabilities	105	321
Operating lease expense	2,127	6,444
Variable lease expense	143	474
Short-term lease expense	6	28
Sublease income ⁽¹⁾	(158)	(586)
Total lease expense	<u>\$ 2,484</u>	<u>\$ 7,465</u>

⁽¹⁾ Relates primarily to one property subleased through September 2020.

Lease-related supplemental cash flow information for the nine months ended September 30, 2019 was as follows:

	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ (6,322)
Operating cash flows for finance leases	(321)
Financing cash flows for finance leases	(454)
Lease obligations obtained in exchange for right-of-use assets	
Operating leases	812

Maturities of lease liabilities as of September 30, 2019 were as follows:

Year ending December 31,	Finance Leases	Operating Leases
2019 (excluding the nine months ended September 30, 2019)	\$ 260	\$ 1,899
2020	991	7,517
2021	955	6,702
2022	975	5,664
2023	992	4,762
Later years	7,377	8,010
Total lease payments	11,550	34,554
Less: imputed interest	(2,589)	(4,668)
Total lease obligations	\$ 8,961	\$ 29,886

Comparable future minimum rental payments under leases that have initial or remaining non-cancelable lease terms in excess of one year as previously disclosed under Accounting Standards Codification No. 840, (Leases) ("ASC 840") as of December 31, 2018 are as follows:

Year ending December 31,	Finance Leases	Operating Leases	Built-to-Suit Lease
2019 (full twelve months)	\$ 119	\$ 7,882	\$ 915
2020	56	7,398	933
2021	2	6,414	952
2022	2	5,702	971
2023	1	4,828	990
Later years	—	8,068	7,461
Total future minimum rental payments under ASC 840	\$ 180	\$ 40,292	\$ 12,222

Total rental payments charged to expense for operating leases under ASC 840 were \$2,118 and \$6,258 during the three and nine months ended September 30, 2018, respectively.

(9) Stockholders' Equity

The components of accumulated other comprehensive loss are as follows:

	As of	
	September 30, 2019	December 31, 2018
Unrecognized pension and postretirement benefit costs, net of tax	\$ (9,084)	\$ (9,153)
Foreign currency translation losses, net of tax	(7,006)	(5,195)
Total accumulated other comprehensive loss	\$ (16,090)	\$ (14,348)

Changes in accumulated other comprehensive loss by component in the three months ended September 30, 2019 and September 30, 2018 are as follows:

	Defined Benefit Pension and Postretirement Items		Foreign Currency Items		Total	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2019	2018	2019	2018	2019	2018
Beginning Balance	\$ (9,107)	\$ 34	\$ (5,938)	\$ (4,702)	\$ (15,045)	\$ (4,668)
Other comprehensive loss before reclassifications, net of tax	—	—	(1,068)	(1,014)	(1,068)	(1,014)
Amounts reclassified from accumulated other comprehensive loss, net of tax ^(a)	23	—	—	—	23	—
Net current period other comprehensive income (loss)	23	—	(1,068)	(1,014)	(1,045)	(1,014)
Ending Balance	\$ (9,084)	\$ 34	\$ (7,006)	\$ (5,716)	\$ (16,090)	\$ (5,682)

^(a) See reclassifications from accumulated other comprehensive loss table below for details of reclassification from accumulated other comprehensive loss in the three months ended September 30, 2019 and September 30, 2018.

Changes in accumulated other comprehensive loss by component in the nine months ended September 30, 2019 and September 30, 2018 are as follows:

	Defined Benefit Pension and Postretirement Items		Foreign Currency Items		Total	
	Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018	2019	2018
Beginning Balance	\$ (9,153)	\$ 34	\$ (5,195)	\$ (2,703)	\$ (14,348)	\$ (2,669)
Other comprehensive loss before reclassifications, net of tax	—	—	(1,811)	(3,013)	(1,811)	(3,013)
Amounts reclassified from accumulated other comprehensive loss, net of tax ^(a)	69	—	—	—	69	—
Net current period other comprehensive income (loss)	69	—	(1,811)	(3,013)	(1,742)	(3,013)
Ending Balance	\$ (9,084)	\$ 34	\$ (7,006)	\$ (5,716)	\$ (16,090)	\$ (5,682)

^(a) See reclassifications from accumulated other comprehensive loss table below for details of reclassification from accumulated other comprehensive loss in the nine months ended September 30, 2019 and September 30, 2018.

Reclassifications from accumulated other comprehensive loss are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Unrecognized pension and postretirement benefit items:				
Prior service cost ^(a)	\$ (12)	\$ —	\$ (38)	\$ —
Actuarial loss ^(a)	(11)	—	(31)	—
Total before tax	(23)	—	(69)	—
Tax effect	—	—	—	—
Total reclassifications for the period, net of tax	\$ (23)	\$ —	\$ (69)	\$ —

^(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension and postretirement benefit cost included in other income, net.

(10) Share-based Compensation

The A.M. Castle & Co. 2017 Management Incentive Plan (the "MIP") became effective on August 31, 2017. Under the MIP, the Board of Directors, or a committee thereof, may grant to eligible officers, directors and employees of the Company Second Lien Notes, stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares and other forms of cash or share-based awards.

The Board of Directors has issued restricted shares of the Company's common stock ("Restricted Shares") to certain officers of the Company and certain members of the Company's Board of Directors, as well as an aggregate original principal amount of \$2,400 of Second Lien Notes (the "Restricted Notes") convertible into an additional 638 shares of the Company's common stock.

The Restricted Shares and Restricted Notes issued to certain officers of the Company cliff vest three years from the date of grant, September 1, 2017, subject to the conditions set forth in the MIP. The Restricted Shares issued to certain members of the Company's Board of Directors cliff vested one year from the date of grant, April 25, 2018, subject to the conditions set forth in the MIP.

A summary of the activity of the Company's Restricted Shares as of September 30, 2019 and in the nine months then ended follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2019	1,803	3.19
Granted	15	1.77
Forfeited	(168)	3.14
Vested	(222)	3.52
Outstanding at September 30, 2019	1,428	3.13
Expected to vest after September 30, 2019	1,428	3.13

On September 10, 2018, the Board of Directors granted 664 performance share units as awards under the MIP ("PSUs") to non-executive senior level managers and other select personnel, and has granted additional PSUs since that date. The PSUs contain a performance-based condition tied to the enterprise value of the Company. Each PSU that vests will entitle the participant to receive one share of the Company's common stock. Vesting occurs upon achievement of a defined enterprise value of the Company, with 50% vesting upon achievement of the defined enterprise value between the performance period September 30, 2020 and September 30, 2022 and the remaining 50% vesting upon the achievement of the defined enterprise value as a result of a specified transaction, as defined in the PSU agreement, on or before September 30, 2022. At the discretion of the Company's Board of Directors, payment can be made in stock, cash, or a combination of both.

Compensation expense recognized related to the PSUs 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. As of September 30, 2019, there are 791 PSUs outstanding and no compensation expense was recognized for these awards to date as the threshold for expense recognition for the performance-based condition had not been met.

As of September 30, 2019, the unrecognized share-based compensation expense related to unvested Restricted Shares was \$1,381 and is expected to be recognized over a weighted-average period of approximately 0.9 years. Forfeitures are accounted for as they occur.

As of September 30, 2019, the unrecognized share-based compensation expense related to the outstanding Restricted Notes was \$567 and is expected to be recognized over a weighted-average period of approximately 0.9 years. The Company will recognize this compensation expense on a straight-line basis over the remaining three-year vesting period using the fair value of the Restricted Notes at the issue date.

(11) Employee Benefit Plans

Components of the net periodic pension and postretirement benefit credit are as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Service cost	\$ 106	\$ 117	\$ 318	\$ 351
Interest cost	1,322	1,225	3,966	3,675
Expected return on assets	(1,531)	(1,971)	(4,593)	(5,913)
Amortization of prior service cost	12	—	38	—
Amortization of actuarial loss	11	—	31	—
Net periodic pension and postretirement benefit credit	\$ (80)	\$ (629)	\$ (240)	\$ (1,887)
Contributions paid	\$ —	\$ —	\$ —	\$ —

The Company anticipates making no additional cash contributions to its pension plans in the remainder of 2019.

The Company was party to a multi-employer pension plan from which the Company determined to withdraw. At September 30, 2019, the total estimated liability to withdraw from the plan was \$3,169. The current liability associated with the Company's withdrawal from the multi-employer pension plan of \$240 is included in accrued and

other current liabilities in the Condensed Consolidated Balance Sheets and the long-term liability of \$2,929 is included in other noncurrent liabilities in the Condensed Consolidated Balance Sheets.

(12) Income Taxes

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items. The Company's effective tax rate is expressed as income tax benefit as a percentage of loss before income taxes.

In the three months ended September 30, 2019, the Company recorded income tax benefit of \$1,079 on a loss before income taxes of \$13,275, for an effective tax rate of 8.1%. In the three months ended September 30, 2018, the Company recorded income tax benefit of \$2,068 on a loss before income taxes of \$8,723, for an effective tax rate of 23.7%.

In the nine months ended September 30, 2019, the Company recorded income tax benefit of \$1,479 on a loss before income taxes of \$29,982, for an effective tax rate of 4.9%. In the nine months ended September 30, 2018, the Company recorded income tax benefit of \$4,026 on a loss before income taxes of \$24,335, for an effective tax rate of 16.5%.

The most significant factors impacting the effective tax rate in the three and nine months ended September 30, 2019 were (i) the recording of the period expense associated with the quasi territorial tax regime called the Global Intangible Low Taxed Income Inclusion ("GILTI"), (ii) the foreign rate differential, and (iii) changes in valuation allowances in the United States and Canada.

Effective January 1, 2018, the Company's U.S. federal corporate income tax rate is 21%.

On December 22, 2017, the U.S. enacted significant changes to the U.S. tax law following the passage and signing of H.R.1, "An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018" (the "Tax Act") (also known as "The Tax Cuts and Jobs Act"). U.S. federal corporate income tax law changes as a result of the Tax Act continue to impact the Company, most significantly, (i) interest deductibility limits imposed by section 163(j), (ii) GILTI and (iii) the immediate deductibility of certain qualified assets acquired and placed in service. The Company continues to monitor proposed regulations and clarifying guidance from U.S. Treasury as a result of the Tax Act and incorporates relevant items to the computation of the tax provision.

(13) Commitments and Contingent Liabilities

The Company is party to a variety of legal proceedings, claims, and inquiries, including proceedings or inquiries by governmental authorities, which arise in the ordinary course of, and are incidental to, the Company's business. The majority of these legal proceedings, claims, and inquiries relate to commercial disputes with customers, suppliers, and others; employment and employee benefits-related disputes; product quality disputes with vendors and/or customers; and environmental, health and safety claims. It is the opinion of management that the currently expected outcome of these proceedings, claims, and inquiries, after taking into account recorded accruals and the availability and limits of our insurance coverage, will not have a material adverse effect on the consolidated results of operations, financial condition or cash flows of the Company.

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

Disclosure Regarding Forward-Looking Statements

Certain statements contained in this report or in other materials we have filed or will file with the Securities and Exchange Commission (the “SEC”) constitute 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 reflect our expectations, estimates or projections concerning our possible or assumed future results of operations, including, but not limited to, descriptions of our business strategy, and the benefits we expect to achieve from our working capital management initiative. These statements are often identified by the use of words such as “believe,” “expect,” “anticipate,” “may,” “could,” “estimate,” “likely,” “will,” “intend,” “predict,” “plan,” “should,” or other similar expressions. Forward-looking statements are not guarantees of performance or results and involve a number of risks and uncertainties. Although we believe that these forward-looking statements are based on reasonable assumptions and estimates, there are many factors that could cause our actual results to differ materially from those projected, including those risk factors identified in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. 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 in this section. Any forward-looking statement speaks only as of the date made. Except as required by applicable laws, we undertake no obligation to update any forward-looking statements to reflect events or circumstances in the future, to reflect the occurrence of unanticipated events or for any other reason.

The following discussion should be read in conjunction with the Company’s Condensed Consolidated Financial Statements and related notes thereto in Item 1 “Financial Statements (unaudited)”.

Overview

A. M. Castle & Co., together with its subsidiaries (the “Company,” “we” or “us”), is a global distributor of specialty metals and supply chain services, principally serving the producer durable equipment, commercial aircraft, heavy equipment, industrial goods, construction equipment, and retail sectors of the global economy. The Company provides a broad range of product inventories as well as value-added processing and supply chain services to a wide array of customers, with a particular focus on the aerospace and defense, power generation, mining, heavy industrial equipment, and general manufacturing industries, as well as general engineering applications.

Results of Operations

The following tables set forth certain statement of operations data in each period indicated:

	Three Months Ended September 30,					
	2019		2018		Favorable/ (Unfavorable)	
	\$	% of Net Sales	\$	% of Net Sales	Three Month \$ Change	Three Month % Change
<i>(Dollar amounts in millions)</i>						
Net sales	\$ 136.1	100.0 %	\$ 148.1	100.0 %	\$ (12.0)	(8.1)%
Cost of materials (exclusive of depreciation)	103.0	75.7 %	110.9	74.9 %	7.9	7.1 %
Operating costs and expenses	36.9	27.1 %	40.2	27.1 %	3.3	8.2 %
Operating loss	<u>\$ (3.8)</u>	<u>(2.8)%</u>	<u>\$ (3.0)</u>	<u>(2.0)%</u>	<u>\$ (0.8)</u>	26.7 %

	Nine Months Ended September 30,					
	2019		2018		Favorable/ (Unfavorable)	
	\$	% of Net Sales	\$	% of Net Sales	Nine Month \$ Change	Nine Month % Change
<i>(Dollar amounts in millions)</i>						
Net sales	\$ 433.6	100.0 %	\$ 444.4	100.0 %	\$ (10.8)	(2.4)%
Cost of materials (exclusive of depreciation)	323.9	74.7 %	331.9	74.7 %	8.0	2.4 %
Operating costs and expenses	114.9	26.5 %	120.0	27.0 %	5.1	4.3 %
Operating loss	<u>\$ (5.3)</u>	<u>(1.2)%</u>	<u>\$ (7.4)</u>	<u>(1.7)%</u>	<u>\$ 2.1</u>	28.4 %

Net Sales

Net sales of \$136.1 million in the three months ended September 30, 2019 decreased \$12.0 million, or 8.1%, compared to \$148.1 million in the three months ended September 30, 2018. The decrease in net sales in the current quarter compared to the prior year quarter was a result of a decrease in tons sold per day, partially offset by an increase in selling prices and a favorable sales mix. Tons sold per day for the Company's products decreased by 25.9% in the three months ended September 30, 2019 compared to the same quarter in the prior year driven primarily by decreased sales volumes of carbon flat roll, alloy bar products, SBQ bar and stainless partially offset by increases in tons sold per day of aluminum products.

Commodities pricing increases continue to have a favorable impact on the Company's selling prices. Overall average selling prices of the Company's product mix sold increased 24.3% in the three months ended September 30, 2019 compared to the three months ended September 30, 2018 with favorable selling prices realized on a majority of the commodities that the Company sells. The most favorable selling prices were realized on the Company's highest selling commodities including carbon and alloy plate, alloy bar, aluminum, and stainless.

Net sales of \$433.6 million in the nine months ended September 30, 2019 decreased \$10.8 million, or 2.4%, compared to \$444.4 million in the nine months ended September 30, 2018. Overall average selling prices of the Company's product mix sold increased 22.8% in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. Tons sold per day for the Company's products decreased by 19.9% in the nine months ended September 30, 2019 compared to the first nine months of the prior year. The decrease in tons sold was a result of an overall trend towards lower sales volumes in the market and a change in product mix sold by the Company through the first nine months of 2019. The Company expects the trend towards lower sales with a more favorable product sales mix to continue for the remainder of the year as it focuses on profitable, high material margin sales in key markets rather than volume of tons sold.

Cost of Materials

Cost of materials (exclusive of depreciation) was \$103.0 million in the three months ended September 30, 2019 compared to \$110.9 million in the three months ended September 30, 2018. The three months ended September 30, 2019 included a one-time \$1.3 million noncash charge for the write-down of inventory in conjunction with the Company's decision to exit a portion of its carbon flat-roll business in one of its Mexican operations ("Mexican inventory write-down"). The \$7.9 million, or 7.1%, decrease between the three month periods is primarily due to the decrease in net sales volume compared to the same period last year, partially offset the Mexican inventory write-down. Cost of materials (exclusive of depreciation) was 75.7% of net sales in the three months ended September 30, 2019 compared to 74.9% of net sales in the three months ended September 30, 2018. Ongoing strength in commodity pricing and a favorable product mix towards sales of products with higher gross material margins (calculated as net sales less cost of materials divided by net sales) in the quarter was more than offset by the impact of the Mexican inventory write-down, resulting in a lower gross material margin in three months ended September 30, 2019 compared to the same quarter last year.

Cost of materials (exclusive of depreciation) was \$323.9 million in the nine months ended September 30, 2019 compared to \$331.9 million in the nine months ended September 30, 2018. The \$8.0 million, or 2.4%, decrease between the nine month periods is primarily due to the decrease in net sales volume compared to the same period last year. Cost of materials (exclusive of depreciation) was 74.7% of net sales in both the nine months ended September 30, 2019 and the nine months ended September 30, 2018.

Operating Costs and Expenses and Operating Loss

Operating costs and expenses in each period indicated were as follows:

<i>(Dollar amounts in millions)</i>	Three Months Ended September 30,		Favorable/(Unfavorable)	
	2019	2018	Three Month \$ Change	Three Month % Change
Warehouse, processing and delivery expense	\$ 18.8	\$ 21.1	\$ 2.3	10.9 %
Sales, general and administrative expense	16.0	16.9	0.9	5.3 %
Depreciation expense	2.1	2.2	0.1	4.5 %
Total operating costs and expenses	\$ 36.9	\$ 40.2	\$ 3.3	8.2 %

Operating costs and expenses decreased by \$3.3 million from \$40.2 million in the three months ended September 30, 2018 to \$36.9 million in the three months ended September 30, 2019, primarily as a result of the following:

- Warehouse, processing and delivery expense decreased by \$2.3 million primarily due to lower sales volume in the three months ended September 30, 2019 compared to the three months ended September 30, 2018, which resulted in a decrease in warehouse and freight costs as well as lower payroll and benefits costs.
- Sales, general and administrative expense decreased by \$0.9 million primarily due to costs incurred in the three months ended September 30, 2018 for outside professional services related to the review of the Company's information technology security processes and protocol for potential enhancement ("IT Security Costs"). There were not such costs incurred in the same period this year.

Operating loss in the three months ended September 30, 2019 was \$3.8 million, compared to \$3.0 million in the three months ended September 30, 2018.

<i>(Dollar amounts in millions)</i>	Nine Months Ended September 30,		Favorable/(Unfavorable)	
	2019	2018	Nine Month \$ Change	Nine Month % Change
Warehouse, processing and delivery expense	\$ 59.6	\$ 62.6	\$ 3.0	4.8 %
Sales, general and administrative expense	49.0	50.4	1.4	2.8 %
Depreciation expense	6.3	7.0	0.7	10.0 %
Total operating costs and expenses	\$ 114.9	\$ 120.0	\$ 5.1	4.3 %

Operating costs and expenses decreased by \$5.1 million from \$120.0 million in the nine months ended September 30, 2018 to \$114.9 million in the nine months ended September 30, 2019, primarily as a result of the following:

- Warehouse, processing and delivery expense decreased by \$3.0 million primarily due to a decrease in warehouse and freight costs, as well as lower payroll and benefits costs, resulting from lower sales volume in the nine months ended September 30, 2019 compared to the same period last year.
- Sales, general and administrative expense decreased by \$1.4 million primarily the result of IT Security Costs incurred in the three months ended September 30, 2018, which were not incurred in the same period this year, and lower payroll and benefits costs in the nine months ended September 30, 2019 compared to nine months ended September 30, 2018.

Operating loss in the nine months ended September 30, 2019 was \$5.3 million, compared to \$7.4 million in the nine months ended September 30, 2018.

Other Income and Expense, Income Taxes and Net Loss

Interest expense, net was \$10.2 million in the three months ended September 30, 2019, compared to \$8.7 million in the three months ended September 30, 2018. Interest expense includes the interest cost component of the net periodic benefit cost of the Company's pension and post retirement benefits of \$1.3 million in the three months ended September 30, 2019 and \$1.2 million in the three months ended September 30, 2018. Interest expense, net was \$29.5 million in the nine months ended September 30, 2019, compared to \$24.0 million in the nine months ended September 30, 2018. Interest expense includes the interest cost component of the net periodic benefit cost of the Company's pension and post retirement benefits of \$4.0 million in the nine months ended September 30, 2019 and \$3.7 million in the nine months ended September 30, 2018. The increase in interest expense in both the three and nine months ended September 30, 2019 compared to the same periods in the prior year is primarily due to an increase in non-cash amortization of the 5.00% / 7.00% Convertible Senior Secured Paid-in-Kind ("PIK") Toggle Notes due 2022 (the "Second Lien Notes") discount. Also contributing to the increase in interest expense in the nine months ended September 30, 2019 is additional non-cash interest expense on the Company's \$25,000 revolving credit facility entered into in June 2018. (see *Note 6 - Debt* in the Notes to the Condensed Consolidated Financial Statements).

Other income, net was \$0.7 million in the three months ended September 30, 2019, compared to \$3.0 million in the three months ended September 30, 2018. Included in other income, net in the three months ended September 30, 2019 and the three months ended September 30, 2018 was net pension benefit of \$1.5 million and \$2.0 million, respectively. The remaining other income (expense), net for the comparative periods is the result of foreign currency transaction gains and losses. The Company recorded a foreign currency transaction loss of \$0.8 million in the three months ended September 30, 2019, compared to a foreign currency transaction gain of \$1.0 million in the three months ended September 30, 2018.

Other income, net was \$4.8 million in the nine months ended September 30, 2019, compared to other income, net of \$7.1 million in the nine months ended September 30, 2018. Included in other income (expense), net in the nine months ended September 30, 2019 and the nine months ended September 30, 2018 was net pension benefit of \$4.6 million and \$5.9 million, respectively. The remaining other income (expense), net for the comparative periods is the result of foreign currency transaction gains and losses. The Company recorded a foreign currency transaction gain of \$0.2 million in the nine months ended September 30, 2019, compared to a foreign currency transaction gain of \$1.2 million in the nine months ended September 30, 2018.

Loss before income taxes was \$13.3 million in the three months ended September 30, 2019, compared to \$8.7 million in the three months ended September 30, 2018. The increase in the loss before income taxes in the three months ended September 30, 2019 compared to the three months ended September 30, 2018 was primarily the result of other income, net of only \$0.7 million in the three months ended September 30, 2019, compared to other income, net of \$3.0 million in the three months ended September 30, 2018, as well as higher interest expense of \$10.2 million in the three months ended September 30, 2019, compared to \$8.7 million in the three months ended September 30, 2018, the majority of which is attributable to non-cash amortization of the Second Lien Note discount and non-cash interest expense on the Company's \$25,000 revolving credit facility entered into in June 2018. Loss before income taxes was \$30.0 million in the nine months ended September 30, 2019, compared to \$24.3 million in the nine months ended September 30, 2018. The decrease in operating loss in the nine months ended September 30, 2019 compared to the same period in the prior year was more than offset by higher interest expense and lower other income, net in the nine months ended September 30, 2019 compared to the same period last year.

The Company recorded an income tax benefit of \$1.1 million in the three months ended September 30, 2019, compared to \$2.1 million in the three months ended September 30, 2018 and an income tax benefit of \$1.5 million in the nine months ended September 30, 2019, compared to \$4.0 million in the nine months ended September 30, 2018. The Company's effective tax rate is expressed as income tax expense as a percentage of loss before income taxes. The effective tax rate in the three months ended September 30, 2019 was 8.1% as compared to 23.7% in the three months ended September 30, 2018. The effective tax rate in the nine months ended September 30, 2019 was 4.9% as compared to 16.5% in the nine months ended September 30, 2018. The change in the effective tax rate between periods resulted from changes in the geographic mix and timing of income or losses, the inclusion of foreign earnings under Internal Revenue Code ("IRC") Section 951A, and the impact of the foreign income tax rate differential.

Net loss was \$12.2 million in the three months ended September 30, 2019, compared to \$6.7 million in the three months ended September 30, 2018, and \$28.5 million in the nine months ended September 30, 2019, compared to \$20.3 million in the nine months ended September 30, 2018.

Liquidity and Capital Resources

Liquidity

Cash and cash equivalents increased (decreased) as follows:

	Nine Months Ended	
	September 30,	
<i>(Dollar amounts in millions)</i>	2019	2018
Net cash from (used in) operating activities	\$ 4.6	\$ (24.6)
Net cash used in investing activities	(3.1)	(4.9)
Net cash (used in) from financing activities	(2.7)	25.9
Effect of exchange rate changes on cash and cash equivalents	—	(0.1)
Net change in cash and cash equivalents	<u>\$ (1.2)</u>	<u>\$ (3.7)</u>

The Company's principal sources of liquidity are cash provided by operations and proceeds from borrowings under its revolving credit facilities.

Specific components of the change in working capital (defined as current assets less current liabilities), are highlighted below:

- Higher accounts receivable at September 30, 2019 compared to December 31, 2018 resulted in a cash flow use of \$8.4 million in the nine months ended September 30, 2019, compared to a cash flow use of \$15.3 million in the nine months ended September 30, 2018. Average receivable days outstanding was 55.4 days in the nine months ended September 30, 2019 compared to 53.9 days for the nine months ended September 30, 2018.
- Lower inventory levels at September 30, 2019 compared to December 31, 2018 resulted in a cash flow source of \$10.0 million in the nine months ended September 30, 2019 compared to a higher inventory levels at September 30, 2018 compared to December 30, 2017, which resulted in a cash flow use of \$14.3 million in the nine months ended September 30, 2018. Average days sales in inventory was 133.4 days for the nine months ended September 30, 2019 compared to 131.5 days for the nine months ended September 30, 2018. The increase in average days sales in inventory is primarily due to the higher price of the inventory on-hand as a result of increased commodity pricing within the market.
- A decrease in prepaid expenses and other current assets at September 30, 2019 compared to December 31, 2018 resulted in a cash flow source of \$5.9 million. The decrease was primarily due to a decrease in value added tax receivables from customers and the timing of certain prepayments to vendors.
- An increase in total accounts payable and accrued and other current liabilities compared to December 31, 2018 resulted in a \$1.6 million cash flow source in the nine months ended September 30, 2019 compared to a cash flow source of \$10.7 million in the nine months ended September 30, 2018. Accounts payable days outstanding was 41.7 days for the nine months ended September 30, 2019 compared to 42.8 days for the same period last year.

Working capital and the balances of its significant components are as follows:

<i>(Dollar amounts in millions)</i>	As of		Working Capital Increase (Decrease)
	September 30, 2019	December 31, 2018	
Working capital	\$ 182.7	\$ 198.2	\$ (15.5)
Cash and cash equivalents	7.5	8.7	(1.2)
Accounts receivable	87.9	79.8	8.1
Inventories	150.1	160.7	(10.6)
Accounts payable	47.8	42.7	(5.1)
Accrued and other current liabilities	13.2	16.6	3.4
Operating lease liabilities	6.4	—	(6.4)

Approximately \$2.3 million of the Company's consolidated cash and cash equivalents balance of \$7.5 million at September 30, 2019 resided in the United States.

The decrease in net cash used in investing activities to \$3.1 million during the nine months ended September 30, 2019 from \$4.9 million during the nine months ended September 30, 2018 is due to a decrease in cash paid for capital expenditures, primarily purchases of warehouse equipment. Management expects capital expenditures will be approximately \$4.0 million to \$5.0 million for the full-year 2019.

During the nine months ended September 30, 2019, net cash used in financing activities of \$2.7 million was attributable to net principal repayments made by the Company on its revolving credit facility, as well as net repayments of short-term borrowings under the Company's foreign lines of credit in France and China. During the nine months ended September 30, 2018, the net cash from financing activities of \$25.9 million was primarily attributable to net proceeds of \$27.9 million from borrowings under the Company's revolving credit facilities, partially offset by net repayments of short-term borrowings under the Company's foreign line of credit in France and payments made in connection with the Company's build-to-suit liability.

Capital Resources

On August 31, 2017, the Company entered into the Revolving Credit and Security Agreement with PNC Bank, National Association ("PNC") as lender and as administrative and collateral agent (the "Agent"), and other lenders party thereto (the "ABL Credit Agreement"). The ABL Credit Agreement provides for a \$125,000 senior secured, revolving credit facility (the "Revolving A Credit Facility"), under which the Company and four of its subsidiaries each are borrowers (collectively, in such capacity, the "Borrowers"). The obligations of the Borrowers have been guaranteed by the subsidiaries of the Company named therein as guarantors.

On June 1, 2018, the Company entered into an Amendment No. 1 to ABL Credit Agreement (the "Credit Agreement Amendment") by and among the Company, the Borrowers and guarantors party thereto and the Agent and the other lenders party thereto, which amended the ABL Credit Agreement (as amended by the Credit Agreement Amendment, the "Expanded ABL Credit Agreement") to provide for additional borrowing capacity. The Expanded ABL Credit Agreement provides for an additional \$25,000 last out Revolving B Credit Facility (the "Revolving B Credit Facility" and together with the Revolving A Credit Facility, the "Expanded Credit Facility") made available in part by way of a participation in the Revolving B Credit Facility by certain of the Company's stockholders. Borrowings under the Expanded Credit Facility will mature on February 28, 2022.

Subject to certain exceptions and permitted encumbrances, the obligations under the Expanded Credit Facility are secured by a first priority security interest in substantially all of the assets of each of the Borrowers and certain subsidiaries of the Company that are named as guarantors. The proceeds of the advances under the Expanded Credit Facility may only be used to (i) pay certain fees and expenses to the Agent and the lenders under the Expanded Credit Facility, (ii) provide for the Borrowers' working capital needs and reimburse drawings under letters of credit, (iii) repay the obligations under the Debtor-in-Possession Revolving Credit and Security Agreement dated as of July 10, 2017, by and among the Company, the lenders party thereto, and PNC, and certain other existing indebtedness, and (iv) provide for the Borrowers' capital expenditure needs, in accordance with the Expanded ABL Credit Agreement.

The Company may prepay its obligations under the Expanded Credit Facility at any time without premium or penalty, and must apply the net proceeds of material sales of collateral in prepayment of such obligations. Payments made must be applied to the Company's obligations under the Revolving A Credit Facility, if any, prior to

its obligations under the Revolving B Credit Facility. In connection with an early termination or permanent reduction of the Revolving A Credit Facility prior to June 1, 2020, a 0.50% fee shall be due for the period from June 1, 2018 through May 31, 2019 and 0.25% for the period from June 1, 2019 through May 31, 2020, in each case on the amount of such commitment reduction, subject to reduction as set forth in the Expanded ABL Credit Agreement. Indebtedness for borrowings under the Expanded Credit Facility is subject to acceleration upon the occurrence of specified defaults or events of default, including (i) failure to pay principal or interest, (ii) the inaccuracy of any representation or warranty of a loan party, (iii) failure by a loan party to perform certain covenants, (iv) defaults under indebtedness owed to third parties, (v) certain liability producing events relating to ERISA, (vi) the invalidity or impairment of the Agent's lien on its collateral or of any applicable guarantee, and (vii) certain adverse bankruptcy-related and other events.

Interest on indebtedness under the Revolving A Credit Facility accrues at a variable rate based on a grid with the highest interest rate being the applicable LIBOR-based rate plus a margin of 3.0%, as set forth in the Expanded ABL Credit Agreement. Interest on indebtedness under the Revolving B Credit Facility accrues at a rate of 12.0% per annum, which will be paid-in-kind unless the Company elects to pay such interest in cash and the Revolving B payment conditions specified in the Expanded ABL Credit Agreement are satisfied. Additionally, the Company must pay a monthly facility fee equal to the product of (i) 0.25% per annum (or, if the average daily revolving facility usage is less than 50% of the maximum revolving advance amount of the Expanded Credit Facility, 0.375% per annum) multiplied by (ii) the amount by which the maximum advance amount of the Expanded Credit Facility exceeds such average daily Expanded Credit Facility usage for such month.

Under the Expanded ABL Credit Agreement, the maximum borrowing capacity of the Revolving A Credit Facility is based on the Company's borrowing base calculation. As of September 30, 2019, the weighted average advance rates used in the borrowing base calculation are 85.0% on eligible accounts receivable and 70.8% on eligible inventory.

The Company's Expanded ABL Credit Agreement contains certain covenants and restrictions customary to an asset-based revolving loan. Indebtedness for borrowings under the Expanded ABL Credit Agreement is subject to acceleration upon the occurrence of specified defaults or events of default, including failure to pay principal or interest, the inaccuracy of any representation or warranty of a loan party, failure by a loan party to perform certain covenants, defaults under indebtedness owed to third parties, certain liability producing events relating to ERISA, the invalidity or impairment of the Agent's lien on its collateral or of any applicable guarantee, and certain adverse bankruptcy-related and other events.

The Company's Expanded ABL Credit Agreement contains a springing financial maintenance covenant requiring the Company to maintain a Fixed Charge Coverage Ratio of 1.0 to 1.0 in any Covenant Testing Period (as defined in the Expanded ABL Credit Agreement) when the Company's liquidity (as defined in the Expanded ABL Credit Agreement), is less than \$12.5 million for five consecutive days. The Company was not in a Covenant Testing Period as of and for the three months ended September 30, 2019.

Additionally, upon the occurrence and during the continuation of an event of default or upon the failure of the Company to maintain its liquidity (as defined in the Expanded ABL Credit Agreement, inclusive of certain cash balances and the additional unrestricted borrowing capacity shown below) in excess of \$12.5 million, the lender has the right to take full dominion of the Company's cash collections and apply these proceeds to outstanding loans under the Expanded Credit Facility Agreement ("Cash Dominion"). Based on the Company's cash projections, it does not anticipate that Cash Dominion will occur, or that it will be in a Covenant Testing Period during the next 12 months.

Additional unrestricted borrowing capacity under the Revolving A Credit Facility as of September 30, 2019 was as follows (in millions):

Maximum borrowing capacity	\$	125.0
Letters of credit and other reserves		(2.6)
Current maximum borrowing capacity		122.4
Current borrowings		(107.5)
Additional unrestricted borrowing capacity	\$	14.9

Also on August 31, 2017, the Company entered into an indenture (the "Second Lien Notes Indenture") with Wilmington Savings Fund Society, FSB, as trustee and collateral agent ("Indenture Agent") and, pursuant thereto, issued approximately \$164,902 in aggregate principal amount of Second Lien Notes, including \$2,400 of restricted

Second Lien Notes issued to certain members of the Company's management. The Second Lien Notes are five-year senior obligations of the Company and certain of its subsidiaries, secured by a lien on all or substantially all of the assets of the Company, its domestic subsidiaries and certain of its foreign subsidiaries, which lien the Indenture Agent has agreed will be junior to the lien of the Agent under the Expanded ABL Credit Agreement.

The Second Lien Notes are convertible into shares of the Company's common stock at any time at the initial conversion price of \$3.77 per share, which rate is subject to adjustment as set forth in the Second Lien Notes Indenture. Under the Second Lien Notes Indenture, upon the conversion of the Second Lien Notes in connection with a Fundamental Change (as defined in the Second Lien Notes Indenture), for each \$1.00 principal amount of the Second Lien Notes, that number of shares of the Company's common stock issuable upon conversion shall equal the greater of (a) \$1.00 divided by the then applicable conversion price or (b) \$1.00 divided by the price paid per share of the Company's common stock in connection with such Fundamental Change calculated in accordance with the Second Lien Notes Indenture, subject to other provisions of the Second Lien Notes Indenture. Subject to certain exceptions, under the Second Lien Notes Indenture a "Fundamental Change" includes, but is not limited to, the following: (i) the acquisition of more than 50% of the voting power of the Company's common equity by a "person" or "group" within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended; (ii) the consummation of any recapitalization, reclassification, share exchange, consolidation or merger of the Company pursuant to which the Company's common stock will be converted into cash, securities or other property; (iii) the "Continuing Directors" (as defined in the Second Lien Notes Indenture) cease to constitute at least a majority of the board of directors; and (iv) the approval of any plan or proposal for the liquidation or dissolution of the Company by the Company's stockholders.

Upon conversion, the Company will pay and/or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election, together with cash in lieu of fractional shares. The value of shares of the Company's common stock for purposes of the settlement of the conversion right, if the Company elects to settle in cash, will be calculated as provided in the Second Lien Notes Indenture, using a 20 trading day observation period.

The terms of the Second Lien Notes contain numerous covenants imposing financial and operating restrictions on the Company's business. These covenants place restrictions on the Company's ability and the ability of its subsidiaries to, among other things, pay dividends, redeem stock or make other distributions or restricted payments; incur indebtedness or issue certain stock; make certain investments; create liens; agree to certain payment restrictions affecting certain subsidiaries; sell or otherwise transfer or dispose assets; enter into transactions with affiliates; and enter into sale and leaseback transactions.

The Second Lien Notes may not be redeemed by the Company in whole or in part at any time, except the Company may be required to make an offer to purchase Second Lien Notes using the proceeds of certain material asset sales involving the Company or one of its restricted subsidiaries, as described more particularly in the Second Lien Notes Indenture. In addition, if a Fundamental Change occurs at any time, each holder of any Second Lien Notes has the right to require the Company to repurchase such holder's Second Lien Notes for cash at a repurchase price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon, subject to certain exceptions.

Indebtedness for borrowings under the Second Lien Notes Indenture is subject to acceleration upon the occurrence of specified defaults or events of default, including failure to pay principal or interest, the inaccuracy of any representation or warranty of any obligor under the Second Lien Notes, failure by an obligor under the Second Lien Notes to perform certain covenants, the invalidity or impairment of the Indenture Agent's lien on its collateral or of any applicable guarantee, and certain adverse bankruptcy-related and other events.

Upon satisfaction of certain conditions more particularly described in the Second Lien Notes Indenture, including the deposit in trust of cash or securities sufficient to pay the principal of and interest and any premium on the Second Lien Notes, the Company may effect a covenant defeasance of certain of the covenants imposing financial and operating restrictions on the Company's business. In addition, and subject to certain exceptions as more particularly described in the Second Lien Notes Indenture, the Company may amend, supplement or waive provisions of the Second Lien Notes Indenture with the consent of holders representing a majority in aggregate principal amount of the Second Lien Notes, and may in effect release collateral from the liens securing the Second Lien Notes with the consent of holders representing 66-2/3% in aggregate principal amount of the Second Lien Notes.

Interest on the Second Lien Notes accrues at the rate of 5.00% if paid in cash and at the rate of 7.00% if paid in kind. Pursuant to the terms of the Second Lien Notes Indenture, the Company is currently paying interest on the Second Lien Notes in kind.

In July 2017, the Company's French subsidiary entered into a local credit facility under which it may borrow against 100% of the eligible accounts receivable factored, with recourse, up to 6.5 million Euros, subject to factoring fees and floating Euribor or LIBOR interest rates, plus a 1.0% margin. The French subsidiary utilizes the local credit facility to support its operating cash needs. As of September 30, 2019, the French subsidiary has borrowings of \$3.2 million under their local credit facility.

In May 2019, the Company's Chinese subsidiary entered into a local credit facility, which expires on February 18, 2020, under which it may borrow short term loans for up to 90 days in United States Dollars or Chinese Yuan up to the equivalent of 25.0 million Chinese Yuan. Under the terms of the loan agreement, borrowings on the Chinese subsidiary's credit facility are currently charged interest at a rate of 4.79%. The Chinese subsidiary utilizes the local credit facility to finance its trading activities and all borrowings are guaranteed by the Chinese subsidiary's outstanding accounts receivable. As of September 30, 2019, the Chinese subsidiary had borrowings of \$0.8 million under its local credit facility.

Interest expense in the nine months ended September 30, 2019 and the nine months ended September 30, 2018 was \$29.5 million and \$24.0 million, respectively, of which \$5.2 million and \$4.8 million, respectively, was cash interest.

As of September 30, 2019, the Company had \$2.4 million of irrevocable letters of credit outstanding.

For additional information regarding the terms of the Expanded ABL Credit Agreement, the Second Lien Notes, and the Company's foreign credit facilities refer to *Note 6 - Debt* to the Notes to the Condensed Consolidated Financial Statements.

Critical Accounting Policies

The preparation of our financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 includes a summary of the critical accounting policies we believe are the most important to aid in understanding our financial results. There have been no changes to those critical accounting policies that have had a material impact on our reported amounts of assets, liabilities, revenues or expenses during the nine months ended September 30, 2019. Further, we do not believe that the new accounting guidance implemented in 2019 materially changed our critical accounting policies.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable. As a smaller reporting company, the Company is not required to provide the information required by this item.

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 Chairman and Chief Executive Officer ("CEO") and Executive Vice President, Finance and Administration ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that review and evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2019.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15 and 15d-15 under the Exchange Act) that occurred during the three months ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party to a variety of legal proceedings, claims, and inquiries, including proceedings or inquiries by governmental authorities, which arise in the ordinary course of, and are incidental to, the Company's business. The majority of these legal proceedings, claims, and inquiries relate to commercial disputes with customers, suppliers, and others; employment and employee benefits-related disputes; product quality disputes with vendors and/or customers; and environmental, health and safety claims. It is the opinion of management that the currently expected outcome of these proceedings, claims, and inquiries, after taking into account recorded accruals and the availability and limits of our insurance coverage, will not have a material adverse effect on the consolidated results of operations, financial condition or cash flows of the Company.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed under the caption "Risk Factors" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed with this Quarterly Report on Form 10-Q or incorporated herein by reference:

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
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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: November 12, 2019

By: /s/ Edward M. Quinn

Edward M. Quinn, Vice President, Controller and
Chief Accounting Officer

(Principal Accounting Officer)

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

I, Steven W. Scheinkman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of A. M. Castle & Co. (the "Company");
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 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 15d-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 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 change 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 reasonable likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer 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: November 12, 2019

/s/ Steven W. Scheinkman

Steven W. Scheinkman
Chairman and Chief Executive Officer
(Principal Executive Officer)

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

I, Patrick R. Anderson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of A. M. Castle & Co. (the "Company");
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 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 15d-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 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 change 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 reasonable likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer 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: November 12, 2019

/s/ Patrick R. Anderson

Patrick R. Anderson

Executive Vice President, Finance & Administration
(Principal Financial Officer)

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

In connection with the accompanying Quarterly Report of A. M. Castle & Co. (the "Company") on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Steven W. Scheinkman, Chairman and Chief Executive Officer (Principal Executive Officer) and Patrick R. Anderson, Executive Vice President, Finance and Administration (Principal Financial Officer) of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted 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 aspects, the financial condition and results of operations of the Company.

/s/ Steven W. Scheinkman

Steven W. Scheinkman

Chairman and Chief Executive Officer

November 12, 2019

/s/ Patrick R. Anderson

Patrick R. Anderson

Executive Vice President, Finance and Administration

November 12, 2019

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.