CASTLE A M & CO

FORM 8-K/A
(Amended Current report filing)

Filed 02/28/12 for the Period Ending 12/15/11

Address	1420 KENSINGTON ROAD SUITE 220 OAK BROOK, IL 60523
Telephone	8474557111
CIK	0000018172
Symbol	CAS
SIC Code	5051 - Metals Service Centers and Offices
Industry	Misc. Fabricated Products
Sector	Basic Materials
Fiscal Year	12/31

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

FORM 8-K/A

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

Date of Report: **December 15, 2011**
(Date of earliest event reported)

A. M. CASTLE & CO.

(Exact name of registrant as specified in its charter)

Maryland	**1-5415**	**36-0879160**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1420 Kensington Road, Suite 220
Oak Brook, Illinois 60523
(Address of principal executive offices)

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

Not Applicable
(Former name or former address if changed since last report.)

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

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13 e-4(c) under the Exchange Act (17 CFR 240.13 e-4(c))

EXPLANATORY NOTE

A.M. Castle & Co. (the "Company") previously filed a Current Report on Form 8-K with the Securities and Exchange Commission on December 21, 2011 (the "Original Form 8-K") to report the acquisition by the Company of Tube Supply, Inc. (the "Acquisition"). This Form 8-K/A amends Item 9.01 of the Original Form 8-K for the purpose of filing the financial statements and pro forma financial information required by Item 9.01 with respect to the Acquisition and filing the consent of Melton & Melton, L.L.P. and BDO Canada LLP. All of the other Items in the Original Form 8-K are unchanged and are hereby incorporated by reference into this Form 8-K/A.

Item 9.01 Financial Statements and Exhibits

(a) *Financial Statements of Business Acquired.*
The Audited Consolidated Balance Sheets of Tube Supply, Inc. and affiliates as of October 31, 2011 and 2010, and the Audited Consolidated Statement of Operations, Audited Consolidated Statement of Changes in Equity and Comprehensive Income and Audited Consolidated Statement of Cash Flows for the years ended October 31, 2011, 2010 and 2009, are attached hereto as Exhibit 99.1 and incorporated herein by reference.

(b) *Pro Forma Financial Information.*
The Unaudited Pro Forma Condensed Combined Financial Statements of the Company and Tube Supply, Inc. for their respective nine month period ended as of September 30, 2011 and July 31, 2011, and for their respective fiscal years ended December 31, 2010 and October 31, 2010 are attached hereto as Exhibit 99.2 and incorporated herein by reference.

(d) *Exhibits.*

Exhibit Number	Description
2.1*	Stock Purchase Agreement, dated November 9, 2011, by and among A.M. Castle & Co., Mr. Paul Sorensen, Mr. Jerry Willeford, and Tube Supply, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on November 15, 2011).
2.2*	Agreement and Amendment, dated December 15, 2011, by and among A.M. Castle & Co., Mr. Paul Sorensen, Mr. Jerry Willeford, Tube Supply, Inc. and A.M. Castle & Co. (Canada) Inc.
4.1*	Indenture, dated as of December 15, 2011, among A.M. Castle & Co., the Guarantors, U.S. Bank National Association, as trustee and U.S. Bank National Association, as collateral agent.
4.2*	Indenture, dated as of December 15, 2011, between A.M. Castle & Co., the Guarantors and U.S. Bank National Association, as trustee.
10.1*	Pledge and Security Agreement, dated as of December 15, 2011, by A.M. Castle & Co., and its subsidiaries that are party thereto, in favor of U.S. Bank National Association, as collateral agent, for the benefit of the Secured Parties.
10.2*	Intercreditor Agreement, dated as of December 15, 2011, among Wells Fargo Bank, National Association, in its capacity as administrative and collateral agent for the First Lien Secured Parties and U.S. Bank National Association, a national banking association, in its capacity as trustee and collateral agend for the Second Lien Secured Parties.
10.3*	Registration Rights Agreement, dated as of December 15, 2011, between A.M. Castle & Co., the Guarantors and Jefferies & Company, Inc., as initial purchaser, for the benefit of the Holders of the Notes.
10.4*	Loan and Security Agreement, dated December 15, 2011, by and among A.M. Castle & Co., Transtar Metals Corp., Advanced Fabricating Technology, LLC, Oliver Steel Plate Co., Paramont Machine Company, LLC, Total Plastics, Inc., Tube Supply, LLC, A.M. Castle & Co. (Canada) Inc., Tube Supply Canada ULC, the other Loan Parties party thereto, the lenders which are now or which hereafter become a party thereto, and Wells Fargo Bank, National Association, a national banking association, in its capacity as administrative agent and collateral agent for Secured Parties.
23.1	Consent of Melton & Melton, L.L.P.
23.2	Consent of BDO Canada LLP
99.1	Audited consolidated financial statements of Tube Supply, Inc. and Affiliates.
99.2	Unaudited Pro Forma Condensed Combined Financial Statements of the Company and Tube Supply, Inc.

**Previously filed on Original Form 8-K.*

SIGNATURES

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

A. M. CASTLE & CO.

February 28, 2012

By: /s/ Robert J. Perna
Robert J. Perna
Vice President, General Counsel & Secretary

EXHIBIT INDEX

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23.1	Consent of Melton & Melton, L.L.P.	EX-1-
23.2	Consent of BDO Canada LLP	EX-2-
99.1	Audited consolidated financial statements of Tube Supply, Inc. and Affiliates.	EX-3-
99.2	Unaudited Pro Forma Condensed Combined Financial Statements of the Company and Tube Supply, Inc.	EX-19-

**Previously filed on Original Form 8-K.*

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-30545, 33-37818, 333-118030, 333-118031, 333-154915 and 333-160942) and Form S-3 (Nos. 333-87254, 333-106709, 333-02519 and 333-162917) of A.M. Castle & Co. of our report dated February 6, 2012 relating to the consolidated financial statements of Tube Supply, Inc. and Affiliates as of October 31, 2011 and 2010 and for each of the three years in the period ended October 31, 2011 appearing in this Form 8-K/A.

/s/ MELTON & MELTON, L.L.P.
Melton & Melton, L.L.P.

Houston, Texas
February 24, 2012

EXHIBIT 23.2

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 33-30545, 33-37818, 333-118030, 333-118031, 333-154915 and 333-160942) and Form S-3 (No. 333-87254, 333-106709, 333-02519 and 333-162917) of A.M. Castle & Co. of our report dated February 3, 2012 relating to the financial statements of Tube Supply Canada ULC which appears in this Form 8-K/A.

/s/ BDO Canada LLP
BDO Canada LLP

Edmonton, Canada
February 24, 2012

EXHIBIT 99.1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

February 6, 2012

To the Stockholders of
Tube Supply, Inc. and Affiliates

We have audited the accompanying consolidated balance sheet of Tube Supply, Inc. and Affiliates (the "Company") as of October 31, 2011 and 2010, and the related consolidated statements of operations, changes in equity and comprehensive income, and cash flows for each of the three years in the period ended October 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Tube Supply Canada ULC, a wholly owned subsidiary, which statements reflect total assets constituting 18.0% and 24.9% of the consolidated totals as of October 31, 2011 and 2010, respectively, and total sales constituting 28.7%, 26.9%, and 22.0% of the consolidated totals for the years ended October 31, 2011, 2010, and 2009, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Tube Supply Canada ULC, is based solely on the reports of the other auditors.

We conducted our audit of the 2011 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We conducted our audits of the 2010 and 2009 consolidated financial statements in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, audits of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tube Supply, Inc. and Affiliates as of October 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ Melton & Melton, L.L.P.
Melton & Melton, L.L.P

Houston, Texas

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Tube Supply Canada ULC

We have audited the accompanying financial statements of Tube Supply Canada ULC, which comprise the balance sheets as at October 31, 2011 and 2010 and the statements of income and retained earnings and cash flows for each of the years in the three-year period ended October 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit of the Company's financial statements for the year ended October 31, 2011 in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). We conducted our audits of the Company's financial statements for the years ended October 31, 2010 and 2009 in accordance with Canadian generally accepted auditing standards and United States generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tube Supply Canada ULC as at October 31, 2011 and 2010 and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2011 in accordance with Canadian generally accepted accounting principles.

/s/ BDO Canada LLP
BDO Canada LLP

Chartered Accountants
Edmonton, Alberta
February 3, 2012

TUBE SUPPLY, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEET
October 31, 2011 and 2010

	2011	2010
ASSETS		
Current Assets:		
Cash	$ 7,345,534	$ 5,298,647
Accounts receivable	33,239,416	20,310,281
Inventory	74,948,143	41,320,476
Prepaid expenses and other current assets	21,563	26,343
Total current assets	115,554,656	66,955,747
Property, net	28,178,008	11,372,793
Intangible Assets	142,321	169,072
Deposits	345,803	1,386,994
	$ 144,220,788	**$ 79,884,606**
LIABILITIES AND EQUITY		
Current Liabilities:		
Current maturities of notes payable	$ 1,788,538	$ 339,244
Notes payable - related parties	5,880,000	5,880,000
Accounts payable	25,709,495	8,956,507
Income taxes payable	2,274,034	1,116,912
Accrued liabilities	4,127,123	2,694,049
Total current liabilities	39,779,190	18,986,712
Notes Payable , net of current maturities	15,313,633	447,078
Equity:		
Tube Supply, Inc. stockholders’ equity:		
Common stock - $1 par value per share, 1,000,000 shares authorized; 11,000 shares issued and outstanding	11,000	11,000
Retained earnings	80,316,664	53,919,419
Accumulated other comprehensive income	795,338	657,419
Total Tube Supply, Inc. stockholders’ equity	81,123,002	54,587,838
Noncontrolling interest	8,004,963	5,862,978
Total equity	89,127,965	60,450,816
	$ 144,220,788	**$ 79,884,606**

(See Notes to Consolidated Financial Statements)

TUBE SUPPLY, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF OPERATIONS
For the Years Ended October 31, 2011, 2010 and 2009

	2011	2010	2009
Sales	$ 207,458,255	$ 125,858,011	$ 81,367,211
Cost of Sales	143,178,740	102,493,765	44,633,085
Gross margin	64,279,515	23,364,246	36,734,126
Selling, General, and Administrative Expenses	20,315,989	14,611,492	13,611,858
Other Income (Expense):			
Interest expense	(1,060,027)	(712,788)	(792,282)
Other income	20,625	432,516	697,552
	(1,039,402)	(280,272)	(94,730)
Income before provision for income taxes	42,924,124	8,472,482	23,027,538
Provision for Income Taxes	3,884,894	1,716,891	694,028
Net income	39,039,230	6,755,591	22,333,510
Net Loss Attributable to Noncontrolling Interest	(64,015)	(20,066)	
Net income attributable to stockholders	**$ 39,103,245**	**$ 6,775,657**	**$ 22,333,510**

(See Notes to Consolidated Financial Statements)

TUBE SUPPLY, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AND COMPREHENSIVE INCOME
For the Years Ended October 31, 2011, 2010 and 2009

	Tube Supply, Inc. Stockholders' Equity						
	Common Stock	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total Stockholders' Equity**	**Noncontrolling Interest**	**Total Equity**	**Comprehensive Income**
Balance, October 31, 2008	$ 11,000	$ 38,055,180	$ (672,843)	$ 37,393,337	$	$ 37,393,337	
Net income		22,333,510		22,333,510		22,333,510	$ 22,333,510
Foreign currency translation			878,068	878,068		878,068	878,068
Stockholders' distributions		(1,544,928)		(1,544,928)		(1,544,928)	
Total comprehensive income							**$ 23,211,578**
Balance, October 31, 2009	11,000	58,843,762	205,225	59,059,987		59,059,987	
Noncontrolling interest relating to initial consolidation of Willeford-Sorensen, Ltd.					5,883,044	5,883,044	
Net income (loss)		6,775,657		6,775,657	(20,066)	6,755,591	$ 6,755,591
Foreign currency translation			452,194	452,194		452,194	452,194
Stockholders' distributions		(11,700,000)		(11,700,000)		(11,700,000)	
Total comprehensive income							**$ 7,207,785**
Balance, October 31, 2010	11,000	53,919,419	657,419	54,587,838	5,862,978	60,450,816	
Net income (loss)		39,103,245		39,103,245	(64,015)	39,039,230	$ 39,039,230
Foreign currency translation			137,919	137,919		137,919	137,919
Equity contributions by noncontrolling interest					2,206,000	2,206,000	
Stockholders' distributions		(12,706,000)		(12,706,000)		(12,706,000)	
Total comprehensive income							**$ 39,177,149**
Balance, October 31, 2011	**$ 11,000**	**$ 80,316,664**	**$ 795,338**	**$ 81,123,002**	**$ 8,004,963**	**$ 89,127,965**	

(See Notes to Consolidated Financial Statements)

TUBE SUPPLY, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Years Ended October 31, 2011, 2010 and 2009

	2011	2010	2009
Cash Flows from Operating Activities:			
Net income	$ 39,039,230	$ 6,755,591	$ 22,333,510
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Gain on disposal of assets	-	-	(12,105)
Depreciation and amortization	1,079,233	593,811	490,891
Cash provided by (used for) the change in:			
Accounts receivable	(12,929,135)	(11,586,566)	11,962,775
Inventory	(33,627,667)	24,211,239	(29,640,663)
Prepaid expenses and other current assets	4,780	(5,848)	56,276
Intangible assets	(5,925)	(174,288)	-
Accounts payable	16,752,988	4,680,961	(10,861,793)
Income taxes payable	1,157,122	1,069,751	(646,645)
Accrued liabilities	1,433,074	1,718,000	(380,009)
Total adjustments	(26,135,530)	20,507,060	(29,031,273)
Net cash provided by (used in) operating activities	12,903,700	27,262,651	(6,697,763)
Cash Flows from Investing Activities:			
Cash acquired at initial consolidation of Willeford-Sorensen, Ltd.	-	252,326	-
Property additions	(6,489,065)	(886,648)	(968,093)
Refunds (payments) of tax deposits	1,041,191	(744,238)	642,756
Net cash used in investing activities	(5,447,874)	(1,378,560)	(325,337)
Cash Flows from Financing Activities:			
Stockholders' distributions	(12,706,000)	(11,700,000)	(1,544,928)
Equity contributions by noncontrolling interest	2,206,000		
Advances (payments) on notes payable, net	5,031,604	(10,045,826)	8,259,718
Net cash provided by (used in) financing activities	(5,468,396)	(21,745,826)	6,714,790
Effects of Exchange Rate Changes on Cash	59,457	290,736	540,639
Net increase in cash	2,046,887	4,429,001	232,329
Cash , beginning of year	5,298,647	869,646	637,317
Cash , end of year	**$ 7,345,534**	**$ 5,298,647**	**$ 869,646**

(See Notes to Consolidated Financial Statements)

TUBE SUPPLY, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the Years Ended October 31, 2011, 2010 and 2009

	2011	2010	2009
Supplemental Cash Flows Information:			
Cash paid for interest	$ 1,600,150	$ 123,509	$ 795,227
Income taxes paid	$ 2,727,772	$ 1,513,500	$ 1,424,443
Supplemental Schedule of Noncash Investing and Financing Activities:			
Acquisition of property and equipment through notes payable	$ 11,284,245	$ 348,167	

(See Notes to Consolidated Financial Statements)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Tube Supply, Inc. and Affiliates (the "Company") specialize in the acquisition and distribution of steel pipe, tubing, and bar. The Company operates primarily in the United States Gulf Coast area and Canada.

The accompanying consolidated financial statements include the accounts of the following entities:

Tube Supply, Inc. ("TSI"), a Texas S corporation, was incorporated on December 30, 1985. TSI is headquartered in Houston, Texas and its customers consist principally of international wellhead and oil tool manufacturers.

Tube Supply Canada ULC ("TSC"), an extra-provincial Canadian corporation, was incorporated on August 3, 2001 and is a wholly owned subsidiary of TSI. TSC has an office and warehouse in Edmonton, Alberta and its customers consist principally of international wellhead and oil tool manufacturers.

Willeford-Sorensen, Ltd. ("WSL"), a Texas limited liability partnership, was organized March 31, 2006 in Houston, Texas. WSL is engaged in the acquisition and leasing of commercial real estate located in Texas.

Principles of Consolidation

The consolidated financial statements include the accounts of TSI, TSC, and WSL. TSI is the primary beneficiary of WSL, which qualifies as a variable interest entity (see Note 6). All intercompany accounts and transactions have been eliminated in consolidation.

Sales and Accounts Receivable

Sales are normally recorded as products are shipped. Occasionally, customers purchase products from the Company but continue to store the products at the Company's warehouses as needed. Sales on these transactions are recognized when the customer orders the goods, the sales price is fixed and determinable, and measurement is reasonably assured. Sales billed but not collected are included in accounts receivable.

Accounts receivable are recorded in the consolidated balance sheet at their outstanding balances adjusted for an allowance for doubtful accounts when necessary. The allowance for doubtful accounts is determined by analyzing the payment history and credit worthiness of each customer. Accounts receivables balances are charged off in the year in which they are deemed uncollectible by management. Recoveries of receivables previously charged off are recorded as income when received. The allowance for doubtful accounts amounted to $22,000 at October 31, 2011 and 2010.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists primarily of pipe, tubing, and bar held for resale and is valued at the lower of cost or market. TSI and TSC determine cost using the dollar-value, link-chain last-in, first-out ("LIFO") method and the average cost method, respectively. The LIFO reserve at October 31, 2011 and October 31, 2010 is approximately $19,138,000 and $12,695,000, respectively. If TSI and TSC used the average cost method for all inventory items, inventory would have been approximately $94,000,000 at October 31, 2011 and approximately $54,000,000 at October 31, 2010.

Property and Depreciation

Property is recorded at cost. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

The Company provide for depreciation using the straight-line method over the following estimated useful lives:

Building and leasehold improvements	5 - 39 years
Machinery and equipment	3 - 10 years
Computer systems and equipment	3 - 5 years
Furniture and fixtures	5 - 7 years

Intangible Assets

Intangible assets consist of debt issuance costs (which are being amortized using the straight-line basis over the life of the applicable loan).

Long-Lived Assets

The Company reviews long-lived assets, including property and intangible assets, for impairment when events or circumstances indicate that the carrying amount of the long-lived asset may not be recoverable. If indicators of impairment are present, the Company determines whether the estimated undiscounted cash flows for the potentially impaired asset are less than the carrying value. If the estimated undiscounted cash flows do not exceed the carrying value, the Company estimates (using discounted cash flows) the fair value of the asset and records an impairment charge if the carrying value is greater than the fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

TSI and WSL are being taxed as an S corporation and a partnership, respectively, for federal income tax purposes and, accordingly, their taxable earnings are passed through to the stockholders' and partners' individual federal income tax returns. Accordingly, the Company does not pay federal income taxes except where the Company is subject to foreign taxation. In compliance with the rules regarding S corporations with fiscal year retention, the Company has made required tax deposits to the Internal Revenue Service of $345,803 and $1,386,994 at October 31, 2011 and 2010, respectively. These amounts are included in deposits in the consolidated balance sheet.

The Company is also subject to various state income taxes, which are included in the provision for income taxes in the accompanying consolidated statement of operations.

Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the consolidated financial statements. With few exceptions, the Company is no longer subject to income tax examinations by U.S. federal, state, or foreign tax authorities for years before 2007.

The Company records income tax-related interest and penalties in the provision for income taxes.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.

Foreign Currency Translation

Assets and liabilities of TSC are translated at the exchange rate in effect on the consolidated balance sheet date. Income and expenses are translated at the average exchange rate prevailing during the year. The related translation adjustments are recorded as a component of accumulated other comprehensive income in the consolidated statement of changes in equity and comprehensive income.

Gains and losses on foreign currency transactions are included in net income in the year incurred. Such gains and losses are reported as adjustments of revenues, cost of goods sold, or other income according to the nature of the underlying transactions. Net foreign currency transaction gains (losses) amounted to approximately $762,000, $(191,000), and $(12,000) for the years ended October 31, 2011, 2010, and 2009, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Shipping and Handling Costs

The Company classifies shipping and handling costs as a component of cost of sales.

Sales Taxes

Various states impose a sales tax on the Company's sales to nonexempt customers. The Company collects that sales tax from customers and remits the entire amount to the applicable states. The Company's accounting policy is to exclude the tax collected and remitted to the states from sales and cost of sales.

Reclassifications

Certain reclassifications have been made to the 2010 and 2009 consolidated financial statements in order for them to be in conformity with the 2011 presentation.

NOTE 2 - PROPERTY

Property consists of the following at October 31, 2011 and 2010:

	2011	2010
Land	$ 1,840,616	$ 1,830,241
Building and leasehold improvements	7,317,853	7,184,653
Machinery and equipment	2,831,855	3,019,143
Computer systems and equipment	1,496,166	1,425,242
Furniture and fixtures	209,665	208,475
	13,696,155	13,667,754
Less: Accumulated depreciation	5,404,368	4,319,467
	8,291,787	9,348,287
Construction in progress	19,886,221	2,024,506
	$ 28,178,008	$ 11,372,793

Construction in progress includes costs to construct a new building. The Company expects construction to be completed and the building to be placed in operation in early 2012. No depreciation is recorded until the asset is placed in operation.

Depreciation expense amounted to $1,046,557, $588,595, and $490,891 for the years ended October 31, 2011, 2010, and 2009, respectively. Depreciation expense is included in selling, general, and administrative expenses in the consolidated statement of operations.

NOTE 3 - INTANGIBLE ASSETS

Intangible assets consist of the following at October 31, 2011 and 2010:

	2011	2010
Debt issuance costs, net of accumulated amortization of $45,964 and $13,288 for the years ended October 31, 2011 and 2010, respectively	$ 142,321	$ 169,072

Amortization expense for the years ended October 31, 2011 and 2010 amounted to $32,676 and $5,216, respectively. There was no amortization expense for the year ended October 31, 2009. Estimated amortization for each of the ensuing years as of October 31, 2011 is as follows:

For the Year Ending October 31:	
2012	$ 32,766
2013	32,766
2014	32,766
2015	32,766
2016	11,257
	$142,321

NOTE 4 - RELATED PARTIES TRANSACTIONS

The Company has notes payable to its stockholders totaling $5,880,000 as of both October 31, 2011 and 2010. The notes bear interest at 10%, are unsecured, and are payable on demand. Of these advances, $4,500,000 is subordinated to the bank line of credit (see Note 5). Interest expense related to these advances amounted to approximately $596,000 for each of the years ended October 31, 2011, 2010, and 2009.

The Company leases office facilities and land from WSL for $43,000 per month under two lease agreements that expire through June 2014. Rent expense under these leases amounted to $473,000 and $516,000 for the years ended October 31, 2010 and 2009, respectively. Effective September 21, 2010, the Company consolidates the accounts of WSL (see Note 6). Accordingly, intercompany rent after September 21, 2010 for the year ended October 31, 2010 and all intercompany rent for the year ended October 31, 2011 have been eliminated in consolidation.

NOTE 5 - NOTES PAYABLE

	2011	2010
Line of credit with a financial institution for $15,000,000, interest due monthly at prime minus 0.50%, principal due at maturity in March 2012, with an interest rate floor set at 4.25% at October 31, 2010 (there was no interest rate floor at October 2011) (the prime rate at October 31, 2011 and 2010 is 3.25%) collateralized by accounts receivable and inventory, and guaranteed by the stockholders of the Company.	$1,788,538	$339,244

NOTE 5 - NOTES PAYABLE (CONTINUED)

	2011	2010
Equipment line of credit with a financial institution for $5,642,441, interest due monthly at prime less 0.50%, principal due at maturity in March 2017 with an interest rate floor set at 4.25% and an interest rate ceiling set at 6.75%. On March 15, 2012, all outstanding principal and unpaid interest will be converted to a term loan with equal monthly payments plus interest due beginning April 1, 2012 through March 1, 2017. The note is cross collateralized by land and equipment. The loan is guaranteed by TSI and the stockholders.	$ 3,785,357	$ 42,268
Construction line of credit with a financial institution for $12,560,000 interest due monthly at prime less 0.50%, principal due at maturity in March 2017 with an interest rate floor set at 4.25% and an interest rate ceiling set at 6.75%. On March 15, 2012, all outstanding principal and unpaid interest will be converted to a term loan with equal monthly payments plus interest due beginning April 1, 2012 through March 1, 2017. The note is cross collateralized by land and equipment. The loan is guaranteed by TSI and the stockholders.	11,528,276	404,810
	17,102,171	786,322
Less: Current maturities	1,788,538	339,244
	$ 15,313,633	$ 447,078

Future maturities of long-term debt at October 31, 2011 are as follows:

For the Year Ending October 31:	
2012	$ 1,788,538
2013	953,514
2014	1,237,416
2015	1,237,416
2016	1,237,416
Thereafter	10,647,871
	$17,102,171

NOTE 6 - VARIABLE INTEREST ENTITY

As of September 21, 2010, the Company consolidates the financial statements of a variable interest entity in accordance with Accounting Standards Codification (“ASC”) 810, *Consolidations* . Under ASC 810, TSI is the primary beneficiary of WSL, which qualifies as a variable interest entity since TSI guarantees various debt agreements on behalf of WSL. The assets of WSL are considered collateral under these agreements. TSI and WSL are co-borrowers under a line of credit agreement and related note payable to a financial institution (see Note 5).

NOTE 6 - VARIABLE INTEREST ENTITY (CONTINUED)

Summarized financial information for WSL as of and for the year ended October 31, 2011 and as of October 31, 2010 and for the period from September 21, 2010 to October 31, 2010 is as follows:

	2011	2010
Current assets	$ 4,113,342	$ 261,531
Property, net	19,118,976	5,963,645
Intangible assets, net	142,321	169,072
Total assets	$ 23,374,639	$ 6,394,248
Current liabilities	$ 56,043	$ 490,078
Notes payable (long-term)	15,313,633	-
Partners' equity	8,004,963	5,904,170
Total liabilities and partners' equity	$ 23,374,639	$ 6,394,248
Rental and other income	$ 507,625	$ 43,000
Selling, general, and administrative expense	(210,547)	(17,881)
Interest expense	(445,285)	(1,806)
Net income (loss)	$ (148,207)	$ 23,313

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Construction Contract

As of October 31, 2011, WSL entered into a contract in the amount of $13,482,496 with a general contractor to build a new warehouse facility. WSL has secured a construction line of credit (see Note 5).

Employee Benefit Plan

The Company has a 401(k) plan for the benefit of its employees. All employees who have attained the age of 21 and have completed one year of service are eligible to participate in the plan. The Company provides a matching contribution equal to 100% of each participant's contribution up to 3% of the participant's eligible compensation plus a discretionary percentage that is determined, annually, by management of the Company. The Company ceased matching contributions during the period from June 1, 2009 through May 31, 2010. The Company's contributions for the years ended October 31, 2011, 2010, and 2009 amounted to $424,194, $262,721, and $291,626, respectively.

NOTE 7 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Concentration of Credit and Market Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash. The Company invests its cash in high credit quality financial institutions. At times, these cash balances may be in excess of federally insured limits.

The Company also has market risk related to its inventory. Inventory is concentrated in a few products and is at risk for market and economic fluctuations and available supply. Management continually monitors its inventory to mitigate the risk.

Defective Materials

In 2011, the Company recognized a net loss of approximately $3,000,000 for defective material sold to certain customers. The loss consisted of the following:

Estimated sales returns	$1,734,000
Estimated costs of customer reimbursements net of expected manufacturer credits	1,266,000
	$3,000,000

The net loss has been reflected in sales and cost of sales in the 2011 consolidated statement of operations. Estimated sales returns are recorded as reductions of accounts receivable and estimated net costs of customer reimbursements are included in accrued liabilities in the 2011 consolidated balance sheet.

NOTE 8 - INCOME TAXES

The provision for income taxes consists of the following for the years ended October 31, 2011, 2010, and 2009:

	2011	2010	2009
Current:			
State	$ 810,858	$ 60,000	$ 98,000
Foreign	3,074,036	1,656,891	596,028
	$3,884,894	$1,716,891	$694,028

Tax-related penalties and interest included in state income taxes amounted to approximately $44,000 for the year ended October 31, 2011. There were no tax-related penalties and interest for the years ended October 31, 2010 and 2009.

NOTE 9 - SUBSEQUENT EVENTS

On November 9, 2011, the stockholders of the Company signed a Stock Purchase Agreement with A.M. Castle & Co. ("A.M. Castle"). The stockholders agreed to sell 100% of the outstanding shares of TSI and TSC for $165 million free and clear of all indebtedness and subject to customary working capital adjustments. The sale closed in mid-December 2011.

Upon closing of the sale described above, A.M. Castle paid off the $15,000,000 line of credit note payable (Note 5) and the notes payable to stockholders (Note 4).

In December 2011, TSC, through a series of transactions, transferred its building and cranes to a newly formed Canadian subsidiary of WSL. A.M. Castle has agreed to lease all of WSL's facilities.

Effective December 15, 2011, the lender released and discharged TSI from any and all liability under or pursuant to the guaranties related to the WSL debt agreements (Notes 5 and 6). Accordingly, as of December 15, 2011, WSL no longer qualified as a variable interest entity with respect to TSI.

The Company has evaluated subsequent events through February 6, 2012, the date the consolidated financial statements were available to be issued.

EXHIBIT 99.2

A.M. Castle & Co.
Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined financial statements (the “pro forma financial statements”) are based on the historical consolidated financial information of A. M. Castle & Co. (referred to as “we, “Castle”, or the “Company”), which is included in Castle’s Annual Report on Form 10-K for the year ended December 31, 2010 and Quarterly Report on Form 10-Q for the nine months ended September 30, 2011,and the consolidated financial information of Tube Supply, Inc. (“Tube Supply” or “TSI”), which is included in Exhibit 99.1 to this Current Report on Form 8-K/A, and has been prepared to reflect the acquisition of all the outstanding common stock of TSI by Castle (the “Acquisition”).

The unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2010 and the nine months ended September 30, 2011 give effect to, among other things, the Acquisition and the new debt financing entered into to consummate the Acquisition (collectively referred to as “the Transactions") as if they had occurred on January 1, 2010. The unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2010 combines the historical consolidated statement of operations for the Company and Tube Supply for their respective fiscal years ended December 31, 2010 and October 31, 2010. The historical financial information for the twelve month periods is derived from the audited financial statements of the Company and Tube Supply, respectively, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The unaudited pro forma condensed consolidated combined statement of operations for the nine months ended September 30, 2011 combines the historical unaudited consolidated statement of operations of the Company and Tube Supply for their respective nine month periods ended September 30, 2011 and July 31, 2011. The unaudited pro forma condensed combined balance sheet as of September 30, 2011 (i) gives effect to, among other things, the Transactions as if they had occurred on September 30, 2011 and (ii) combines the historical unaudited consolidated balance sheet of the Company and Tube Supply as of September 30, 2011 and July 31, 2011, respectively.

The pro forma financial statements were prepared using the acquisition method of accounting and are based on certain assumptions which we believe to be reasonable, and will have a continuing impact on us. They do not reflect the cost of any integration activities or benefits that may result from synergies that may be derived from integration activities. The historical consolidated financial information has been adjusted to give effect to the impact of the consideration paid by Castle to Tube Supply’s stockholders in connection with the Acquisition and the effect of the new debt financing that coincided with the closing of the Acquisition. The pro forma adjustments related to the Acquisition are preliminary and are based on information available to date, and are subject to revision as additional information becomes available as to, among other things, the fair value of acquired assets and liabilities, as well as any pre-acquisition contingencies and final determination of purchase price related to working capital adjustments. The actual adjustments described herein were as of the closing date of the Acquisition and are expected to change based upon the finalization of valuation studies. Revisions to the preliminary purchase price allocation of the Acquisition could materially change the pro forma amounts of total assets, total liabilities and stockholders’ equity, depreciation and amortization, cost of providing services and income tax expense.

The details of the new debt financing were included in the Company’s Report on Form 8-K filed on December 21, 2011. At the date of issuance of the new debt, December 15, 2011, and as of the date of this filing, we do not have a sufficient number of common shares available to share-settle the conversion option of the senior unsecured convertible notes in full. Therefore, we may not elect to issue shares of common stock upon conversion of the unsecured convertible notes to the extent such election would result in the issuance of more than 19.99% of our common stock outstanding immediately prior to the issuance of the unsecured convertible notes until we receive shareholder approval for such issuance and shareholder approval for the increase in the number of shares of common stock authorized and available for issuance upon conversion of the unsecured convertible notes. Accordingly, the embedded conversion option within the unsecured convertible notes does not qualify for equity classification and is required to be bifurcated and valued separately as a derivative liability in accordance with Accounting Standards Codification 815, *Derivatives and Hedging* (“ASC 815”). The debt discount created by the bifurcation of the embedded conversion option is amortized to interest expense using the effective interest method. During each reporting period, the conversion option derivative liability (the “derivative liability”) is marked to fair value, with changes in fair value recognized in earnings (interest expense). At the date of issuance and as of December 31, 2011, the fair value of the derivative liability was $22.3 million and $26.4 million, respectively.

If we receive shareholder approval for the issuance of our common stock in excess of the 19.99% limitation and for the increase in the number of shares of common stock authorized and available for issuance upon conversion of the unsecured convertible notes so that we have the ability to share-settle the conversion option in full, the conversion option may qualify for equity classification and the derivative liability may no longer need to be accounted for as a separate derivative on a prospective basis from the date of reassessment. Any remaining debt discount that arose from the original bifurcation will continue to be amortized to interest expense.

In preparing the unaudited pro forma financial statements we have assumed that the conversion option is treated as a derivative liability and we have used the value of such liability at the time of issuance of the convertible debt ($22.3 million). The pro forma income statements include the additional non-cash interest expense associated with its accretion. Had the issuance of the unsecured convertible notes actually occurred on January 1, 2010, the conversion option may have qualified for equity classification and/or the valuation of the conversion option may have been different. Furthermore, the unaudited pro forma combined income statements presented do not include a mark-to-market adjustment of the derivative liability due to the complexities of determining such adjustment for the pro forma periods.

Tube Supply was considered the primary beneficiary of Willeford-Sorensen, Ltd. (‘‘WSL’’), a variable interest entity, since it guaranteed various debt of WSL. Thus, in its historical financial statements WSL was consolidated. The impact of consolidating WSL on Tube Supply’s income statements is not significant and, therefore, has been ignored in the pro forma adjustments below. The impact of WSL on Tube Supply’s balance sheet is significant and, therefore, the pro forma balance sheet includes adjustments to eliminate the impact of WSL from Tube Supply’s assets, liabilities and owners’ equity. WSL will not be consolidated as part of the Acquisition since the Tube Supply guarantees of various WSL debt were terminated upon closing of the Acquisition.

Pro Forma Financial Tables
($ in Thousands, except per share data)

	AM Castle	Tube Supply				
	Nine Months Ended,					
	September 30, 2011	July 31, 2011	Reclass.	Pro Forma Adjustments	Note Reference	Pro Forma Combined
			a			
Net sales	$ 850,216	$ 151,089	$ -	$ -		$ 1,001,305
Cost of materials (exclusive of depreciation and amortization)	631,588	103,529	-	-		735,117
Warehouse, processing and delivery expense	102,092	-	1,239	32	**b**	103,363
Selling, general and administrative expense	92,045	14,188	(2,379)	713	**c**	104,567
Depreciation and amortization expense	14,919	-	820	4,228	**d**	19,967
Operating income (loss)	9,572	33,372	320	(4,973)		38,291
Interest expense, net	(3,327)	(673)	(320)	(25,384)	**e**	(29,704)
Income (loss) before income taxes and equity in earnings of joint venture	6,245	32,699	-	(30,357)		8,587
Income tax expense (benefit)	5,000	2,678	-	(1,537)	**f**	6,141
Income (loss) before equity in earnings of joint venture	1,245	30,021	-	(28,820)		2,446
Equity in earnings of joint venture	8,958	-	-	-		8,958
Net income (loss)	$ 10,203	$ 30,021	$ -	$ (28,820)		$ 11,404
Basic income per share	$ 0.45				**g**	$ 0.50
Weighted average common shares outstanding - basic	22,816				**g**	22,816
Diluted income per share	$ 0.44				**g**	$ 0.45
Weighted average common shares outstanding - diluted	23,262				**g**	25,361

Pro Forma Financial Tables (Continued)
($ in Thousands, except share data)

	AM Castle Fiscal Year Ended December 31, 2010	Tube Supply Fiscal Year Ended October 31, 2010	Reclass. a	Pro Forma Adjustments	Note Reference	Pro Forma Combined
Net sales	$ 943,706	$ 125,858	$ -	$ -		$ 1,069,564
						-
Cost of materials (exclusive of depreciation and amortization)	700,854	102,494	-	-		803,348
Warehouse, processing and delivery expense	123,318		1,276	42	**b**	124,636
Selling, general and administrative expense	108,223	14,611	(2,297)	1,751	**c**	122,288
Depreciation and amortization expense	20,649	-	594	5,637	**d**	26,880
Operating income (loss)	(9,338)	8,753	427	(7,430)		(7,588)
						-
Interest expense, net	(4,988)	(280)	(427)	(33,910)	**e**	(39,605)
Income (loss) before income taxes and equity in earnings of joint venture	(14,326)	8,473	-	(41,340)		(47,193)
						-
Income tax expense (benefit)	(3,101)	1,717	-	(13,179)	**f**	(14,563)
Income (loss) before equity in earnings of joint venture	(11,225)	6,756	-	(28,161)		(32,630)
						-
Equity in earnings of joint venture	5,585	-	-	-		5,585
Net income (loss)	$ (5,640)	$ 6,756	$ -	$ (28,161)		$ (27,045)
Basic loss per share	$ (0.25)				**g**	$ (1.19)
Weighted average common shares outstanding - basic	22,708				**g**	22,708
Diluted loss per share	$ (0.25)				**g**	$ (1.19)
Weighted average common shares outstanding - diluted	22,708				**g**	22,708

Proforma Balance S heet
($ in Thousands)

	AM Castle September 30, 2011	Tube Supply July 31, 2011	Total Proforma	Note Reference	Proforma Combined
Assets					
Cash	$ 25,901	$ 1,791	$ (8,634)	**a**	$ 19,058
Accounts receivable - trade	168,261	34,128	-		202,389
Inventories	188,417	57,582	17,165	**b**	263,164
Prepaids and other current assets	8,931	23	-		8,954
Income taxes receivable	2,089		-		2,089
Total current assets	393,599	93,524	8,531		495,654
Investment in JV	34,563		-		34,563
Goodwill	50,077		37,191	**c**	87,268
Intangible assets, net	36,467	151	58,749	**d**	95,367
Prepaid pension costs	20,357		-		20,357
Other Assets	3,526	346	16,300	**e**	20,172
Property, plant and equipment, net	74,835	26,358	(20,902)	**f**	80,291
Total assets	$ 613,424	$ 120,379	$ 99,869		$ 833,672
Liabilities and Stockholders' Equity					
Accounts payable	$ 112,423	$ 11,087	$ -		$ 123,510
Accrued liabilities	28,530	1,893	6,373	**g**	36,796
Income taxes payable	3,637	1,558	-		5,195
Deferred income taxes	2,715		-		2,715
Current portion of long-term debt	7,871	252	(8,123)	**h**	-
Short-term debt	33,400	5,880	(37,780)	**h**	1,500
Total current liabilities	188,576	20,670	(39,530)		169,716
Long-term debt, less current portion	62,583	14,929	231,481	**h**	308,993
Deferred income taxes	24,344		-		24,344
Other non-current liabilities	3,778		2,871	**i**	6,649
Pension and post-retirement benefit obligation	9,044		-		9,044
Total liabilities	288,325	35,599	194,822		518,746
Commitments and contingencies					
Stockholders' equity:					
Preferred stock					
Common stock	232	11	(11)	**j**	232
Additional paid in capital	183,293	7,105	(7,105)	**j**	183,293
Retained earnings	160,950	76,198	(86,371)	**j**	150,777
Accumulated other comprehensive income	(17,803)	1,466	(1,466)	**j**	(17,803)
Treasury stock, at cost	(1,573)		-		(1,573)
Total stockholders' equity	325,099	84,780	(94,953)		314,926
Total liabilities and stockholders' equity	$ 613,424	$ 120,379	$ 99,869		$ 833,672

A.M. Castle & Co.
Notes to Unaudited Pro Forma Combined Financial Statements

(1) Basis of Presentation

On December 15, 2011, the Company acquired 100 percent of the outstanding common shares of Tube Supply for cash. The accompanying pro forma financial statements presents the pro forma combined results of operations and pro forma combined financial position of the combined company based upon historical financial statements of the Company and Tube Supply, after giving effect to the Acquisition adjustments described in these notes.

(2) The Acquisition

Tube Supply, based in Houston, Texas, is a leading value-added distributor of specialty tubular and bar products for the oil and gas industry. Tube Supply provides high quality products and services primarily to the North American oilfield equipment manufacturing industry. Tube Supply operates two service centers, which are located in Houston, Texas and Edmonton, Alberta.

The acquisition of Tube Supply was accounted for using the acquisition method. The estimated total purchase price is $184.4 million consisting of the $165.0 million base purchase price, $3.7 million of acquired cash and $15.7 million of estimated working capital and tax payments. The following is a preliminary estimate of the excess purchase price over the assets acquired and liabilities assumed by the Company as of September 30, 2011 is as follows (dollars in millions):

Total estimated purchase price	$ 184.4
Less: book value of Tube Supply assets acquired and liabilities assumed	(74.6)
Excess of purchase price over net book value of net assets acquired	$ 109.8

(3) Pro Forma Adjustments

The adjustments described in these notes give effect to pro forma events that are (1) directly attributable to the Acquisition and new debt financing entered into to consummate the Acquisition (2) factually supportable and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results of the Company. The pro forma adjustments are preliminary and based on management's estimates of the fair value and useful lives of the assets acquired and liabilities assumed. The pro forma financial statements do not reflect revenue opportunities, synergies or cost savings the Company may realize after the Acquisition. The pro forma financial statements also do not reflect non-recurring charges. There were no material transactions between the Company and Tube Supply during the periods presented that need to be eliminated.

Combined Statements of Operations Pro Forma Adjustments:

(a) *Reclassifications* - Certain reclassifications have been made to Tube Supply's historical presentation in order to conform to Castle's historical presentation. These reclassifications had no impact on the historical net income reported by Tube Supply.

(b) *Warehouse, processing and delivery expense* - Represents the pro forma adjustment made to reflect the estimated incremental rent expense due to new lease terms negotiated on existing properties in use by Tube Supply. As part of the Acquisition, the Company also negotiated a lease for a new building with the former stockholders of Tube Supply. The terms of this specific lease are considered unfavorable to market and, as a result, the Company will recognize an adjustment in purchase accounting. However, the impact of amortizing the unfavorable lease adjustment into warehouse, processing and delivery expense over the initial 5-year lease term (a credit of approximately $0.7 million per year) is not reflected in the pro forma adjustments as the building was not yet fully occupied by Tube Supply during the pro forma periods presented.

(c) *Selling, general and administrative expense* - Represents the pro forma adjustment made to reflect the elimination of acquisition and consulting fees incurred related to the Acquisition that are included in the Company’s historical financial statements as these are considered non-recurring. Also included is incremental compensation expense related to a 3-year incentive plan for certain personnel of Tube Supply.

(d) *Depreciation and amortization expense* – Represents the pro forma adjustment made to reflect the amortization expense resulting from the preliminary fair value analysis of Tube Supply's customer relationships in the amount of $48.8 million, tradenames in the amount of $7.7 million, developed technology in the amount of $1.4 million and non-compete agreements in the amount of $1.0 million, respectively. For purposes of the pro forma information, the estimated amortization expense was based on a preliminary straight-line amortization period of 12 years for customer relationships, 10 years for tradenames, 3 years for developed technology and 3 years for non-compete agreements, respectively.

(e) *Interest expense* - Represents the pro forma adjustment made to interest expense to reflect the following:

(i) Increase for estimated cash interest on the new debt;
(ii) Increase for non-cash interest on the new debt due to amortization of debt origination fees, amortization of the original issue discount on the $225.0 million senior secured notes and amortization of derivative liability component of the $57.5 million unsecured convertible notes; and
(iii) Decrease for interest expense on existing debt.

The increase of interest expense on the debt incurred in conjunction with the Acquisition is comprised of cash interest on the senior secured notes of $225.0 million and convertible notes of $57.5 million at rates of 12.75% and 7.0%, respectively, as well as interest on the new revolving credit facility at an assumed interest rate of 2.0%. The estimated interest expense with respect to the new revolving credit facility assumes that the pro forma outstanding balance of $30.0 million remains constant. A 1/8% increase or decrease in interest rates used in the pro forma adjustment would not have a significant impact on the amount of expected interest to be paid.

There is non-cash interest expense of approximately $6.0 million annually related to the amortization of (i) the debt origination costs (ii) the original issue discount on the senior secured notes and (iii) the debt discount created by the bifurcation of the embedded conversion option on the unsecured convertible notes. The amortization is based on the effective interest method.

The write-off of existing deferred debt origination fees of $1.0 million and prepayment penalty of $5.2 million on the retirement of existing debt, respectively, have been excluded from the pro-forma adjustments as they are considered non-recurring.

(f) *Income taxes* - Represents pro forma adjustments made to reflect the estimated impact of the tax effect of the above pro forma adjustments based on an estimated blended statutory rate of 35% and estimate the impact of income taxes on Tube Supply as a C-Corp. The estimate could change based on changes in the applicable tax rates and finalization of the combined company’s tax position.

(g) *Earnings per share and shares outstanding* **-** The pro forma weighted average number of basic and diluted shares outstanding reflect the Company’s weighted average number of basic and diluted shares of common stock outstanding for the year ended December 31, 2010 and the nine month period ended September 30, 2011. As a result of the Acquisition, the Company owns 100 percent of the Tube Supply common stock and, therefore, these shares are not included in the pro forma weighted average number of basic and diluted shares outstanding. The pro forma weighted average number of diluted shares outstanding for the nine month period ended September 30, 2011 account for the impact of the outstanding convertible debt utilizing the treasury-stock method.

Combined Balance Sheets Pro Forma Adjustments:

(a) *Cash* - Represents pro forma adjustments to eliminate the impact of WSL ($0.5 million) and reflect the financing to complete the Acquisition. The Company utilized $8.2 million of its cash on-hand to pay certain transaction fees and expenses.

(b) *Inventories* - Represents pro forma adjustment to eliminate Tube Supply's historical LIFO inventory reserve and record Tube Supply inventory at its estimated fair value.

(c) *Goodwill* - The adjustments to the assets acquired and liabilities assumed are as follows (dollars in millions):

Excess of purchase price over net book value of net assets acquired	$ 109.8
Adjustments to goodwill related to:	
Inventories	(17.2)
Intangible assets	(58.9)
Unfavorable lease	3.5
Total adjustments	(72.6)
Total goodwill	$ 37.2

(d) *Intangible assets, net* - Represents the pro forma adjustment to record Tube Supply's currently identified intangible assets. The estimated fair values of the identified intangibles are based on a preliminary valuation. The identified intangibles include the following (dollars in millions):

	Estimated Fair Value	**Estimated Annual Amortization Expense**
Customer relationships	$ 48.8	$ 4.1
Tradenames	7.7	0.8
Technology	1.4	0.5
Noncompete agreements	1.0	0.3

(e) *Other assets* - Represents the pro forma adjustment to write off existing deferred financing fees and to capitalize fees associated with the new financing necessary to complete the Acquisition.

(f) *Property, plant and equipment* - Represents pro forma adjustment to eliminate the impact of WSL ($21.5 million) and record property, plant and equipment at fair-value.

(g) *Accrued liabilities* - Represents pro forma adjustment to (i) eliminate the impact of WSL ($0.1 million) (ii) eliminate Transaction related fees and expenses previously accrued ($0.6 million) (iii) reflect the current portion of an unfavorable lease liability ($0.7 million) that was negotiated as part of the Acquisition (see footnote (b) in Combined Statements of Operations Pro Forma Adjustments) and (iv) recognize a liability to the former owners of Tube Supply for deferred payments to be made in 2012 principally for working capital adjustments ($6.4 million).

(h) *Current portion of long-term debt, Short-term debt & Long-term debt* - Represents the pro forma adjustment to eliminate the impact of WSL from long-term debt ($14.9 million) and to reflect the new debt financing arrangements associated with the Transactions. The new senior secured notes were issued at an offering price of 96.5%; accordingly, the original issue discount of $7.9 million is recorded as a reduction to the $225.0 million principal amount. The unsecured convertible notes were issued at par of $57.5 million. As noted above, the embedded conversion option within the new convertible notes does not qualify for equity classification and is required to be bifurcated and valued separately as a derivative liability in accordance with ASC 815. The value assigned to the embedded conversion option was $22.3 million at the date of issuance and is presented as long-term debt in the unaudited pro forma condensed combined balance sheet.

(i) *Other liabilities* **-** Represents the pro forma adjustment to recognize the long-term portion of an unfavorable lease liability ($2.9 million) that was negotiated as part of the Acquisition (see footnote (b) in Combined Statements of Operations Pro Forma Adjustments).

(j) *Stockholder's equity* - Represents the pro forma adjustment to eliminate the impact of WSL and the historical stockholders' equity of Tube Supply. The adjustment to Retained Earnings also includes the impact of fees related to the Transactions estimated at $4.1 million, a prepayment penalty of $5.2 million on the existing private placement notes and the write-off of existing deferred financing costs of $1.0 million. These expenses have not been tax effected for the purposes of this pro forma information as we continue to evaluate the deductibility of these expenses.