

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

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**FORM 10-Q**

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

For Quarterly Period Ended March 31, 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

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**A. M. Castle & Co.**  
(Exact name of registrant as specified in its charter)

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**Maryland**

(State or other jurisdiction of incorporation of organization)

**1420 Kensington Road, Suite 220, Oak Brook, Illinois**

(Address of principal executive offices)

**36-0879160**

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

**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**

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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.

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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

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

<i>Title of each class</i>	<i>Trading symbol(s)</i>	<i>Name of each exchange on which registered</i>
<b><u>Common Stock, Par Value \$0.01 Per Share</u></b>	<b><u>CTAM</u></b>	<b><u>OCTQX Best Market</u></b>

The number of shares outstanding of the registrant's common stock as of May 6, 2019 was 3,634,658 shares.

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**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	
	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,842	\$ 8,668
Accounts receivable, less allowances of \$1,507 and \$1,364, respectively	92,305	79,757
Inventories	164,227	160,686
Prepaid expenses and other current assets	13,769	14,344
Income tax receivable	1,268	1,268
Total current assets	277,411	264,723
Goodwill and intangible assets	8,176	8,176
Prepaid pension cost	1,920	1,754
Deferred income taxes	1,266	1,261
Operating right-of-use assets	33,353	—
Other noncurrent assets	1,245	1,278
Property, plant and equipment:		
Land	5,578	5,577
Buildings	20,863	21,218
Machinery and equipment	39,449	38,394
Property, plant and equipment, at cost	65,890	65,189
Accumulated depreciation	(14,119)	(11,989)
Property, plant and equipment, net	51,771	53,200
Total assets	\$ 375,142	\$ 330,392
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 54,058	\$ 42,719
Accrued and other current liabilities	17,711	16,631
Operating lease liabilities	6,908	—
Income tax payable	2,116	1,589
Short-term borrowings	6,801	5,498
Current portion of finance leases	623	119
Total current liabilities	88,217	66,556
Long-term debt, less current portion	251,344	245,966
Deferred income taxes	7,024	7,540
Finance leases, less current portion	8,639	61
Build-to-suit liability	—	9,975
Other noncurrent liabilities	2,999	3,334
Pension and postretirement benefit obligations	6,310	6,321
Noncurrent operating lease liabilities	26,796	—
Commitments and contingencies (see Note 13)		
Stockholders' deficit:		
Common stock, \$0.01 par value—200,000 Class A shares authorized with 3,803 shares issued and 3,635 shares outstanding at March 31, 2019, and 3,803 shares issued and outstanding at December 31, 2018	38	38
Additional paid-in capital	57,247	55,421
Accumulated deficit	(58,229)	(50,472)
Accumulated other comprehensive loss	(14,789)	(14,348)
Treasury stock, at cost — 168 shares at March 31, 2019 and no shares at December 31, 2018	(454)	—
Total stockholders' deficit	(16,187)	(9,361)
	\$ 375,142	\$ 330,392

*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	
	March 31,	
	2019	2018
Net sales	\$ 149,527	\$ 145,873
Costs and expenses:		
Cost of materials (exclusive of depreciation)	110,958	109,904
Warehouse, processing and delivery expense	20,277	20,355
Sales, general and administrative expense	16,502	16,548
Depreciation expense	2,121	2,376
Total costs and expenses	149,858	149,183
Operating loss	(331)	(3,310)
Interest expense, net	9,449	7,126
Other (income) expense, net	(1,602)	(4,774)
Loss before income taxes	(8,178)	(5,662)
Income tax benefit	(175)	(521)
Net loss	\$ (8,003)	\$ (5,141)
Basic and diluted loss per common share	\$ (3.82)	\$ (2.57)
Comprehensive loss:		
Net loss	\$ (8,003)	\$ (5,141)
Change in unrecognized pension and postretirement benefit costs, net of tax	23	—
Foreign currency translation adjustments, net of tax	(464)	(875)
Comprehensive loss	\$ (8,444)	\$ (6,016)

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

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

	Three Months Ended	
	March 31,	
	2019	2018
<b>Operating activities:</b>		
Net loss	\$ (8,003)	\$ (5,141)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,121	2,376
Amortization of deferred financing costs and debt discount	2,565	1,580
Gain on sale of property, plant and equipment	—	(5)
Unrealized foreign currency gain	(140)	(991)
Noncash interest paid in kind	3,852	2,954
Noncash rent expense	582	—
Noncash compensation expense	643	646
Deferred income taxes	(836)	127
Other, net	—	154
Changes in assets and liabilities:		
Accounts receivable	(12,701)	(17,195)
Inventories	(3,810)	(3,389)
Prepaid expenses and other current assets	(142)	(3,848)
Other noncurrent assets	(111)	312
Prepaid pension costs	(189)	(688)
Accounts payable	11,088	11,095
Income tax payable and receivable	521	(440)
Accrued and other current liabilities	1,084	1,304
Lease liabilities	146	—
Pension and postretirement benefit obligations and other noncurrent liabilities	(67)	(54)
<b>Net cash used in operating activities</b>	<b>(3,397)</b>	<b>(11,203)</b>
<b>Investing activities:</b>		
Capital expenditures	(764)	(1,538)
Proceeds from sale of property, plant and equipment	—	5
<b>Net cash used in investing activities</b>	<b>(764)</b>	<b>(1,533)</b>
<b>Financing activities:</b>		
Proceeds from long-term debt including credit facilities	—	11,500
Proceeds from (repayments of) short-term borrowings, net	1,471	(1,191)
Principal paid on financing leases	(149)	(22)
Payments of build-to-suit liability	—	(897)
<b>Net cash from financing activities</b>	<b>1,322</b>	<b>9,390</b>
Effect of exchange rate changes on cash and cash equivalents	13	20
Net change in cash and cash equivalents	(2,826)	(3,326)
Cash and cash equivalents - beginning of year	8,668	11,104
Cash and cash equivalents - end of period	<u>\$ 5,842</u>	<u>\$ 7,778</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
<b>Balance as of December 31, 2017</b>	3,734	—	\$ 37	\$ —	\$ 49,944	\$ (13,327)	\$ (2,669)	\$ 33,985
Net loss						(5,141)		(5,141)
Foreign currency translation, net of tax							(875)	(875)
Reclassification to equity of interest paid in kind attributable to conversion option, net of \$0 tax effect					1,128			1,128
Share-based compensation					454			454
<b>Balance as of March 31, 2018</b>	<u>3,734</u>	<u>—</u>	<u>\$ 37</u>	<u>\$ —</u>	<u>\$ 51,526</u>	<u>\$ (18,468)</u>	<u>\$ (3,544)</u>	<u>\$ 29,551</u>
<b>Balance as of December 31, 2018</b>	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						(8,003)		(8,003)
Foreign currency translation, net of tax							(464)	(464)
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 \$315 tax effect					896			896
Share-based compensation					401			401
Exercise of stock options and other		(168)		(454)	529			75
<b>Balance as of March 31, 2019</b>	<u>3,803</u>	<u>(168)</u>	<u>\$ 38</u>	<u>\$ (454)</u>	<u>\$ 57,247</u>	<u>\$ (58,229)</u>	<u>\$ (14,789)</u>	<u>\$ (16,187)</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 months ended March 31, 2019, as reported herein, may not necessarily be indicative of the Company's operating results for the full year.

The Company has reclassified certain prior year presentations to conform to the current period presentation.

**(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 twelve 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. 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 months ended March 31, 2019 and March 31, 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 March 31, 2019 and March 31, 2018, shipping and handling costs included in warehouse, processing and delivery expenses were \$6,136 and \$6,792, 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	
	March 31,	
	2019	2018
Balance, beginning of period	\$ 1,364	\$ 1,586
Add Provision charged to expense <sup>(a)</sup>	192	115
Recoveries	11	11
Less Charges against allowance	(60)	(49)
Balance, end of period	<u>\$ 1,507</u>	<u>\$ 1,663</u>

<sup>(a)</sup> 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	
	March 31,	
	2019	2018
Net sales		
United States	\$ 95,132	\$ 93,566
Canada	11,840	12,454
Mexico	12,656	15,948
France	15,098	13,879
China	10,411	6,336
All other countries	4,390	3,690
Total	<u>\$ 149,527</u>	<u>\$ 145,873</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	
	March 31,	
	2019	2018
<b>Numerator:</b>		
Net loss	\$ (8,003)	\$ (5,141)
<b>Denominator:</b>		
Weighted average common shares outstanding	2,096	2,000
Effect of dilutive securities:		
Outstanding common stock equivalents	—	—
Denominator for diluted loss per common share	2,096	2,000
Basic loss per common share	\$ (3.82)	\$ (2.57)
Diluted loss per common share	\$ (3.82)	\$ (2.57)
Excluded outstanding share-based awards having an anti-dilutive effect	1,600	1,734

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 49,000 shares.

**(5) Goodwill and Intangible Asset**

As of both March 31, 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 three months ended March 31, 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 March 31, 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	
	March 31, 2019	December 31, 2018
<b>LONG-TERM DEBT</b>		
5.00% / 7.00% Second Lien Notes due August 31, 2022	\$ 183,827	\$ 180,894
Floating rate Revolving A Credit Facility due February 28, 2022	108,488	108,488
12.00% Revolving B Credit Facility due February 28, 2022	23,561	22,875
Less: unvested restricted Second Lien Notes <sup>(a)</sup>	(978)	(1,378)
Less: unamortized discount	(63,165)	(64,491)
Less: unamortized debt issuance costs	(389)	(422)
<b>Total long-term debt</b>	<b>251,344</b>	<b>245,966</b>
Less: current portion of long-term debt	—	—
<b>Total long-term portion</b>	<b>\$ 251,344</b>	<b>\$ 245,966</b>

<sup>(a)</sup> 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 0.50% 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. Interest expense related to the Revolving B Credit Facility of \$686 was paid in kind in the three months ended March 31, 2019.

The weighted average interest rate on outstanding borrowings under the Revolving A Credit Facility for the three months ended March 31, 2019 and March 31, 2018 was 5.57% and 4.25%, respectively, and 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.

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 March 31, 2019.

Unamortized debt issuance costs of \$389 associated with the Expanded ABL Credit Agreement were recorded as a reduction in long-term debt as of March 31, 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. 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. 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.

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.

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 in the event of a Fundamental Change or certain 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.

The Company must use the excess proceeds of material sales of collateral to make an offer of repurchase to holders of the Second Lien Notes. 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 \$3,166 and \$2,954 was paid in kind in the three months ended March 31, 2019 and March 31, 2018, respectively.

#### *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 March 31, 2019 and December 31, 2018, the French subsidiary had borrowings of \$6,801 and \$5,498, respectively, under the 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 March 31, 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 March 31, 2019, the fair value of the Company's Second Lien Notes, including the conversion option, was estimated to be \$176,878 compared to a carrying value of \$183,827. 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 March 31, 2019:

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

As of March 31, 2019, the fair value of the Company's Revolving B Credit Facility was estimated to be \$22,829 compared to a carrying value of \$23,561. 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 nature and the variable interest rates, the fair value of borrowings under the Revolving A Credit Facility and the French subsidiary's foreign line of credit approximated the carrying value as of March 31, 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 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 March 31, 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:

	<b>Classification on the Balance Sheet</b>	<b>March 31, 2019</b>
<b>ASSETS</b>		
Operating lease assets	Operating right-of-use assets	\$ 33,353
Finance lease assets	Property, plant and equipment, net	11,078
Total lease assets		<u>44,431</u>
<b>LIABILITIES</b>		
Current		
Operating	Operating lease liabilities	\$ 6,908
Finance	Current portion of finance leases	623
Noncurrent		
Operating	Noncurrent operating lease liabilities	26,796
Finance	Finance leases, less current portion	8,639
Total lease liabilities		<u>\$ 42,966</u>
<b>Weighted average remaining lease term</b>		
Operating leases		6.0 years
Finance leases		11.6 years
<b>Weighted average discount rate</b>		
Operating leases		5.2%
Finance leases		4.7%



Lease-related expenses for the three months ended March 31, 2019 were as follows:

	<b>Three Months Ended March 31, 2019</b>
Finance lease expense:	
Amortization of finance lease assets	\$ 261
Interest on finance lease liabilities	109
Operating lease expense	2,155
Variable lease expense	135
Short-term lease expense	16
Sublease income <sup>(1)</sup>	(243)
<b>Total lease expense</b>	<b>\$ 2,433</b>

<sup>(1)</sup> Relates primarily to one property subleased through September 2020.

Lease-related supplemental cash flow information for the three months ended March 31, 2019 was as follows:

	<b>Three Months Ended March 31, 2019</b>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	(2,164)
Operating cash flows for finance leases	(109)
Financing cash flows for finance leases	(149)
Lease obligations obtained in exchange for right-of-use assets	
Operating leases	812
	<b>(1,610)</b>

Maturities of lease liabilities as of March 31, 2019 were as follows:

Year ending December 31,	<b>Finance Leases</b>	<b>Operating Leases</b>
2019 (excluding the three months ended March 31, 2019)	\$ 776	\$ 6,331
2020	990	7,571
2021	955	6,742
2022	974	5,703
2023	992	4,826
Later years	7,376	8,041
<b>Total lease payments</b>	<b>12,063</b>	<b>39,214</b>
Less: imputed interest	(2,801)	(5,510)
<b>Total lease obligations</b>	<b>\$ 9,262</b>	<b>\$ 33,704</b>

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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
<b>Total future minimum rental payments under ASC 840</b>	<b>\$ 180</b>	<b>\$ 40,292</b>	<b>\$ 12,222</b>

Total rental payments charged to expense for operating leases under ASC 840 were \$2,085 during the three months ended March 31, 2018.

**(9) Stockholders' Equity**

The components of accumulated other comprehensive loss are as follows:

	As of	
	March 31, 2019	December 31, 2018
Unrecognized pension and postretirement benefit costs, net of tax	\$ (9,130)	\$ (9,153)
Foreign currency translation losses, net of tax	(5,659)	(5,195)
<b>Total accumulated other comprehensive loss</b>	<b>\$ (14,789)</b>	<b>\$ (14,348)</b>

Changes in accumulated other comprehensive loss by component in the three months ended March 31, 2019 and in the three months ended March 31, 2018 are as follows:

	Defined Benefit Pension and Postretirement Items		Foreign Currency Items		Total	
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
	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	—	—	(464)	(875)	(464)	(875)
Amounts reclassified from accumulated other comprehensive loss, net of tax <sup>(a)</sup>	23	—	—	—	23	—
Net current period other comprehensive income (loss)	23	—	(464)	(875)	(441)	(875)
<b>Ending Balance</b>	<b>\$ (9,130)</b>	<b>\$ 34</b>	<b>\$ (5,659)</b>	<b>\$ (3,578)</b>	<b>\$ (14,789)</b>	<b>\$ (3,544)</b>

<sup>(a)</sup> See reclassifications from accumulated other comprehensive loss table below for details of reclassification from accumulated other comprehensive loss in the three months ended March 31, 2019 and in the three months ended March 31, 2018.

Reclassifications from accumulated other comprehensive loss are as follows:

	Three Months Ended	
	March 31,	
	2019	2018
Unrecognized pension and postretirement benefit items:		
Prior service cost <sup>(a)</sup>	\$ (13)	\$ —
Actuarial gain (loss) <sup>(a)</sup>	(10)	—
Total before tax	(23)	—
Tax effect	—	—
Total reclassifications for the period, net of tax	<u>\$ (23)</u>	<u>\$ —</u>

<sup>(a)</sup> These accumulated other comprehensive loss components are included in the computation of net periodic pension and postretirement benefit cost included in other expense (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 stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares and other forms of cash or share-based awards. During each of the last two fiscal years during which the MIP was in effect, the Board of Directors has awarded 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.

The Board of Directors has issued restricted shares of the Company's common stock (the "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 March 31, 2019 and in the three-months then ended follows:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2019	1,803	3.19
Granted	—	—
Forfeited	(168)	3.14
Vested	(153)	3.14
Outstanding at March 31, 2019	<u>1,482</u>	<u>3.20</u>
Expected to vest after March 31, 2019	<u>1,482</u>	<u>3.20</u>

On September 10, 2018, the Board of Directors granted as awards under the MIP 664 performance share units ("PSUs") to senior level managers and other select personnel. 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 100% 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

March 31, 2019, there are 654 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 March 31, 2019, the unrecognized share-based compensation expense related to unvested Restricted Shares was \$2,122 and is expected to be recognized over a weighted-average period of approximately 1.4 years. Forfeitures are accounted for as they occur.

As of March 31, 2019, the unrecognized share-based compensation expense related to the outstanding Restricted Notes was \$876 and is expected to be recognized over a weighted-average period of approximately 1.4 years. The Company will recognize this compensation expense on a straight-line basis over the 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	
	March 31,	
	2019	2018
Service cost	\$ 106	\$ 117
Interest cost	1,322	1,225
Expected return on assets	(1,531)	(1,971)
Amortization of prior service cost	13	—
Amortization of actuarial loss	10	—
Net periodic pension and postretirement benefit credit	<u>\$ (80)</u>	<u>\$ (629)</u>
Contributions paid	<u>\$ —</u>	<u>\$ —</u>

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 March 31, 2019, the total estimated liability to withdraw from the plan was \$3,239. 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 \$2,999 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 March 31, 2019, the Company recorded income tax benefit of \$175 on pre-tax loss of \$8,178, for an effective tax rate of 2.1%. In the three months ended March 31, 2018, the Company recorded income tax benefit of \$521 on pre-tax income of \$5,662, for an effective tax rate of 9.2%. The most significant factors impacting the effective tax rate in the three months ended March 31, 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 various jurisdictions.

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. 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: Three Months Ended March 31, 2019 Compared to the Three Months Ended March 31, 2018

The following table sets forth certain statement of operations data in the three months ended March 31, 2019 and 2018.

	Three Months Ended March 31,				Favorable/ (Unfavorable)	
	2019		2018		Three Month \$ Change	Three Month % Change
(Dollar amounts in millions)	\$	% of Net Sales	\$	% of Net Sales		
Net sales	\$ 149.5	100.0 %	\$ 145.9	100.0 %	\$ 3.6	2.5 %
Cost of materials (exclusive of depreciation)	111.0	74.2 %	109.9	75.3 %	(1.1)	(1.0)%
Operating costs and expenses	38.8	26.0 %	39.3	26.9 %	0.5	1.3 %
Operating loss	\$ (0.3)	(0.2)%	\$ (3.3)	(2.3)%	\$ 3.0	(90.9)%

### Net Sales

Net sales of \$149.5 million in the three months ended March 31, 2019 increased \$3.6 million, or 2.5%, compared to \$145.9 million in the three months ended March 31, 2018. The increase in net sales in the current quarter compared to the prior year quarter was driven primarily by an increase in commodities pricing, which had a favorable impact on selling prices in the quarter ended March 31, 2019, and a favorable product sales mix. Overall average selling prices of the Company’s product mix sold increased 23.5% in the three months ended March 31, 2019 compared to the three months ended March 31, 2018 with favorable selling prices realized all the commodities that the Company sells. The

most favorable selling prices were realized on the majority of the Company's highest selling commodities including all carbon and alloy products, SBQ bar, and stainless.

Tons sold per day for the Company's products decreased by 17.0% in the three months ended March 31, 2019 compared to the same quarter in the prior year driven primarily by decreased sales volumes of carbon and alloy products, partially offset by increases in tons sold per day of aluminum and stainless products. 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 in the first quarter of 2019, which aligns with the Company's strategic initiative to focus on profitable sales rather than volume of tons sold.

### Cost of Materials

Cost of materials (exclusive of depreciation) was \$111.0 million in the three months ended March 31, 2019 compared to \$109.9 million in the three months ended March 31, 2018. The \$1.1 million, or 1.0%, increase between the three month periods is primarily due to an increase in product mill pricing resulting from higher market demand for metals and higher commodity pricing.

Cost of materials (exclusive of depreciation) was 74.2% of net sales in the three months ended March 31, 2019 compared to 75.3% of net sales in the three months ended March 31, 2018 due primarily to an increase in commodities pricing, which favorably impacted the Company's gross material margin (calculated as net sales less cost of materials divided by net sales) as the Company experienced an overall increase in its average selling prices per ton sold. Gross material margins were also beneficially impacted in the quarter ended March 31, 2019 by the Company's strategic initiative to eliminate lower margin sales that are not accretive to profitability.

### Operating Costs and Expenses and Operating Loss

Operating costs and expenses in the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31,		Favorable/(Unfavorable)	
	2019	2018	Three Month \$ Change	Three Month % Change
<i>(Dollar amounts in millions)</i>				
Warehouse, processing and delivery expense	\$ 20.3	\$ 20.4	\$ 0.1	0.5%
Sales, general and administrative expense	16.5	16.5	\$ —	—%
Depreciation expense	2.0	2.4	\$ 0.4	16.7%
<b>Total operating costs and expenses</b>	<b>\$ 38.8</b>	<b>\$ 39.3</b>	<b>\$ 0.5</b>	<b>1.3%</b>

Operating costs and expenses decreased by \$0.5 million from \$39.3 million in the three months ended March 31, 2018 to \$38.8 million in the three months ended March 31, 2019, primarily as a result of the following:

- Warehouse, processing and delivery expense decreased by \$0.1 million as a decrease in warehouse and freight costs due to lower sales volume was partially offset by higher payroll and benefits costs.
- Sales, general and administrative expense were virtually flat in the period as a slight increase in payroll and benefit costs was more than offset by the timing of certain other sales, general and administrative expenses.
- Depreciation expense decreased by \$0.4 million due to a lower depreciable base of property, plant and equipment in the three months ended March 31, 2019.

Operating loss in the three months ended March 31, 2019 was \$0.3 million, compared to \$3.3 million in the three months ended March 31, 2018.

### Other Income and Expense, Income Taxes and Net Loss

Interest expense, net was \$9.4 million in the three months ended March 31, 2019, compared to \$7.1 million in the three months ended March 31, 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 March 31, 2019 and \$1.2 million in the three months ended March 31, 2018. The increase in interest expense in the three months ended March 31, 2019 compared to the same period in the prior year is primarily due to interest on the Company's Revolving B Credit Facility, which it entered into in June 2018, as well as higher average interest rates on borrowings from the



Company's Revolving A Credit Facility (see *Note 6 - Debt* in the Notes to the Condensed Consolidated Financial Statements).

Other income, net was \$1.6 million in the three months ended March 31, 2019, compared to \$4.8 million in the three months ended March 31, 2018. Other income, net in the three months ended March 31, 2019 includes net pension benefit of \$1.5 million in the three months ended March 31, 2019 and \$2.0 million in the three months ended March 31, 2018. The remaining decrease in other income, net between the comparative periods is the result of foreign currency transaction gains and losses. The Company recorded a foreign currency gain of \$0.1 million in the three months ended March 31, 2019, compared to a foreign currency gain of \$2.8 million in the three months ended March 31, 2018.

Loss before income taxes was \$8.2 million in the three months ended March 31, 2019, compared to \$5.7 million in the three months ended March 31, 2018. The \$3.0 million decrease in operating loss between the three months ended March 31, 2019 and the three months ended March 31, 2018 was more than offset by increased interest expense and lower other income, net in the three months ended March 31, 2019.

The Company recorded an income tax benefit of \$0.2 million in the three months ended March 31, 2019, compared to \$0.5 million in the three months ended March 31, 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 March 31, 2019 was 2.1% as compared to 9.2% in the three months ended March 31, 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 \$8.0 million in the three months ended March 31, 2019, compared to \$5.1 million in the three months ended March 31, 2018.

## **Liquidity and Capital Resources**

### *Liquidity*

Cash and cash equivalents increased (decreased) as follows:

	Three Months Ended	
	March 31,	
<i>(Dollar amounts in millions)</i>	2019	2018
Net cash used in operating activities	\$ (3.4)	\$ (11.2)
Net cash used in investing activities	(0.8)	(1.5)
Net cash from financing activities	1.3	9.4
Effect of exchange rate changes on cash and cash equivalents	—	—
Net change in cash and cash equivalents	<u>\$ (2.8)</u>	<u>\$ (3.3)</u>

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

In periods of market growth, such as those currently being experienced, a substantial amount of the Company's principal sources of liquidity are invested in working capital to support the growth. Accordingly, the Company expects working capital increases to result in a cash flow use from operations in the near term, supported by higher 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 March 31, 2019 compared to December 31, 2018 resulted in a cash flow use of \$12.7 million in the three months ended March 31, 2019, compared to a cash flow use of \$17.2 million in the three months ended March 31, 2018. The higher accounts receivable balance in each respective period is primarily attributable to increased sales. Average receivable days outstanding was steady at 53.1 days in the three months ended March 31, 2019 compared to 53.7 days for the three months ended March 31, 2018.
- Higher inventory levels at March 31, 2019 compared to December 31, 2018 resulted in a cash flow use of \$3.8 million in the three months ended March 31, 2019 compared to a cash flow use of \$3.4 million in



the three months ended March 31, 2018. The higher inventory balance in each respective period is primarily attributable to increased investment in inventory to align with the Company's sales growth, as well as the higher price of the inventory due to price increases from the Company's suppliers. Average days sales in inventory was 134.0 days for the three months ended March 31, 2019 compared to 128.5 days for the three months ended March 31, 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.

- Increases in total accounts payable and accrued and other current liabilities compared to December 31, 2018 resulted in a \$12.2 million cash flow source in the three months ended March 31, 2019 compared to a cash flow source of \$12.4 million in the three months ended March 31, 2018. Accounts payable days outstanding was 42.6 days for the three months ended March 31, 2019 compared to 43.6 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)
	March 31, 2019	December 31, 2018	
Working capital	\$ 189.2	\$ 198.2	\$ (9.0)
Cash and cash equivalents	5.8	8.7	(2.9)
Accounts receivable	92.3	79.8	12.5
Inventories	164.2	160.7	3.5
Accounts payable	54.1	42.7	(11.4)
Accrued and other current liabilities	17.7	16.6	(1.1)
Operating lease liabilities	6.9	—	(6.9)

Approximately \$2.3 million of the Company's consolidated cash and cash equivalents balance of \$5.8 million at March 31, 2019 resided in the United States.

The decrease in net cash used in investing activities to \$0.8 million during the three months ended March 31, 2019 from \$1.5 million in the three months ended March 31, 2018 is due to cash paid for capital expenditures primarily for warehouse equipment. Management expects capital expenditures will be approximately \$6.0 million to \$8.0 million for the full-year 2019.

During the three months ended March 31, 2019, the net cash from financing activities of \$1.3 million was attributable to net proceeds from short-term borrowings under the Company's foreign line of credit partially offset by principal paid on financing leases. During the three months ended March 31, 2018, the net cash from financing activities of \$9.4 million was primarily attributable to proceeds from borrowings under the Company's revolving credit facility, offset by net repayments of short-term borrowings under the Company's foreign line of credit 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 March 31, 2019, the weighted average advance rates used in the borrowing base calculation are 85.0% on eligible accounts receivable and 71.4% 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 March 31, 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) 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.

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Additional unrestricted borrowing capacity under the Revolving A Credit Facility as of March 31, 2019 was as follows (in millions):

Maximum borrowing capacity	\$	125.0
Letters of credit and other reserves		(2.3)
Current maximum borrowing capacity		122.7
Current borrowings		(108.5)
Additional unrestricted borrowing capacity	\$	14.2

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 5.00% / 7.00% Convertible Senior Secured Paid-in-Kind ("PIK") Toggle Notes due 2022 (the "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. 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. 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 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, subject to certain exceptions provided under 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. 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.

The Company must use the net proceeds of material sales of collateral, which proceeds are not used for other permissible purposes, to make an offer of repurchase to holders of the Second Lien Notes. 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.

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 March 31, 2019, the French subsidiary has borrowings of \$6.8 million under the local credit facility.

Interest expense in the three months ended March 31, 2019 and the three months ended March 31, 2018 was \$9.4 million and \$7.1 million, respectively, of which \$1.7 million and \$1.3 million, respectively, was cash interest.

As of March 31, 2019, the Company had \$2.3 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 French credit facility 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 three months ended March 31, 2019. Further, we do not believe that the new accounting guidance implemented in 2019 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 1-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 March 31, 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 March 31, 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
10.1*	<a href="#">Employment Agreement dated May 9, 2019, between A.M. Castle &amp; Co. and Jeremy Steele</a>
31.1	<a href="#">CEO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
31.2	<a href="#">CFO Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002</a>
32.1	<a href="#">CEO and CFO Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

\* *Management contract or compensatory plan or arrangement*

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: May 9, 2019

By: /s/ Edward M. Quinn

\_\_\_\_\_  
Edward M. Quinn, Vice President, Controller and  
Chief Accounting Officer  
(Principal Accounting Officer)

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of May 9, 2019 (the “Commencement Date”), by and between A. M. Castle & Co., a Maryland corporation (the “Employer”), and Jeremy Steele, a resident of Naperville, Illinois (the “Employee”).

### WITNESSETH:

WHEREAS, Employer and Employee agree that this Agreement represents the entire agreement relative to Employee’s employment with Employer, and shall supersede any other contrary understanding, belief, offer, or communication, whether in writing or otherwise.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment. Employer will employ Employee, and Employee hereby accepts such employment, upon the terms and subject to the conditions set forth in this Agreement. Employee shall be employed by Employer but may serve (and if requested by Employer shall serve) as an officer and/or director of any subsidiary or affiliate of Employer.

2. Term. The term of employment under this Agreement shall commence on the Commencement Date and shall continue for three (3) years thereafter (such three-year period, the “Initial Term”) unless sooner terminated as contemplated herein; *provided, however*, that, unless sooner terminated as contemplated herein, beginning on the first day after the Initial Term and on every anniversary of such date thereafter (each a “Renewal Date”), the then-existing term of this Agreement shall automatically be renewed one additional year (any such renewal term, an “Extension Period”) unless either party gives the other written notice of non-renewal not less than one hundred eighty days (180) days prior to the end of the Initial Term (or the Extension Period, as applicable). For the avoidance of doubt, notice of non-renewal of this Agreement given at any other time shall be void and ineffective. Upon the date of expiration of the term of this Agreement, Employee shall cease to be employed and shall have no further rights, including but not limited to rights under Section 8, or obligations hereunder, except obligations set forth in Sections 3, 10 and 11.

3. Compensation and Benefits.

(a) Employer shall pay to Employee as compensation for all services rendered by Employee a base salary of \$260,000.00 per year during the Initial Term, or such other sums as the parties may mutually agree on from time to time, payable in accordance with Employer’s regular payroll practices as in effect from time to time with respect to all office employees of Employer,



but no less frequently than monthly (“Base Salary”). The Employer’s board of directors (the “Board”) or, if the same is established, the human resources or compensation committee of the Board (the “Compensation Committee”) shall have the right to increase Employee’s Base Salary from time to time, and Employee shall be entitled to an annual or more frequent review thereof as determined by the Board, with the first such review to occur in the first calendar quarter of Employer’s 2020 fiscal year. Such increased Base Salary then shall become Employee’s “Base Salary” for purposes of this Agreement.

(b) The Board or Compensation Committee, in its good faith discretion, reasonably exercised, may, with respect to any year during the term hereof, award an incentive opportunity bonus or bonuses to Employee; *provided, however*, that Employer shall annually provide Employee with a short-term incentive plan (the “STIP”) to be determined by the Board or the Compensation Committee. Employee’s target payment under the STIP (the “Target STIP”) shall be forty percent (40%) of Base Salary, and Employee’s maximum payment under the STIP shall be such amounts as may be approved by the Board or the Compensation Committee. The STIP shall be on the terms and conditions as determined by the Compensation Committee and established by written summary delivered to Employee no later than March 15 of the applicable year(s). The compensation provided for in this Section 3(b) shall be in addition to any pension, 401(k), or profit sharing payments set aside or allocated for the benefit of Employee in either a tax qualified plan or otherwise.

(c) Employer shall reimburse Employee for all reasonable expenses incurred by Employee in the performance of his duties under this Agreement, in accordance with Employer’s expense reimbursement policy; *provided, however*, that Employee must furnish to Employer an itemized account, in form satisfactory to Employer, in substantiation of such expenditures.

(d) Employee shall be entitled to such fringe benefits including, but not limited to, life, medical, disability, and family insurance benefits as may be provided from time to time by Employer to other senior vice presidents of Employer and on an economic basis consistent with past practices and policies of Employer.

(e) To the extent permitted by applicable law and terms of the benefit plans, Employer shall include in Employee’s credited service, in any case where credited service is relevant in determining eligibility for or benefits under any employee benefits plan, Employee’s service for any parent, subsidiary or affiliate of Employer or for any entity acquired by, or other predecessor of, Employer.

(f) Employer shall provide Employee with either (i) an Employer-leased vehicle, all costs (gas, insurance, maintenance, etc.) paid, or (ii) an auto allowance, and a mobile telephone allowance during the term of the Agreement, as may be provided from time to time by

Employer to other senior vice presidents of Employer and on an economic basis consistent with past practices and policies of Employer.

(g) The amount of expenses eligible for reimbursement or in-kind benefits provided during a calendar year may not affect the expenses eligible for reimbursement to be provided in any other calendar year. Reimbursement of eligible expenses will be made on or before the last day of the calendar year following the calendar year in which the expense was incurred and the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(h) Long-Term Compensation

(i) Employee will receive a grant of 15,000 shares of restricted stock pursuant to Employer's 2017 Management Incentive Plan (the "MIP") upon his hire.

(ii) Employee shall be eligible to participate in such long-term incentive compensation plans that have been approved or may in the future be approved by the shareholders of Employer and administered by the Board.

(iii) For the avoidance of doubt, Employee hereby acknowledges and agrees that neither Employer's 2017 Restructuring (the "Restructuring") nor any transactions contemplated pursuant thereto, shall constitute a Change in Control (or term of similar import), as defined herein.

(iv) For purposes of this Section 3(h), Employee shall be considered to have "continued employment" on a given date notwithstanding (a) Employee's death or termination by Employer due to disability on or before such date, (b) termination by Employee of his employment hereunder on or before such date for good reason, or (c) termination by Employer of Employee's employment hereunder on or before such date without good cause.

(i) If Employee's employment hereunder terminates effective at the end of the Initial Term or any Extension Period solely by reason of a non-renewal thereof in accordance with Section 2 hereof (and, for avoidance of doubt, not under any circumstances specified in Section 7 or 8 hereof), Employee shall be entitled to receive the compensation and benefits set forth in this Section 3(i).

(i) If such termination is by reason of a non-renewal by Employer, Employee shall be entitled to receive (A) all salary earned but not yet paid through the date of termination, and (B) any prior-year STIP compensation earned but not yet paid, and the prorated portion of any current year STIP compensation as and when determined in the

ordinary course of the calculation of current year STIP award due to other senior vice presidents of Employer.

(ii) If such termination is by reason of a non-renewal by Employee, Employee shall be entitled to receive all salary earned but not yet paid through the date of termination.

4. Duties. Employee is engaged and shall serve as Senior VicePresident, General Counsel & Secretary of Employer and, as may be requested by Employer from time to time, any other direct or indirect subsidiaries of Employer that may be formed or acquired. In addition, Employee shall have such other duties and hold such other offices as may from time to time be reasonably assigned to him by Employer's President and consistent with the office of Senior Vice-President, General Counsel & Secretary. These services shall be provided from offices located in Oak Brook, Illinois, or such other location as may be mutually agreed.

5. Extent of Services; Vacations and Days Off.

(a) During the term of his employment under this Agreement, Employee shall devote substantially his full business time, energy and attention to the benefit and business of Employer as may be necessary in performing his duties pursuant to this Agreement, subject to the following sentence. Employee shall not provide services of a business nature to any other person except that Employee may engage in the Permitted Activities (as defined in Section 11(e)) provided that such activities do not significantly interfere with Employee's performance of his duties hereunder. In order to maximize Employee's efficiency and effectiveness for Employer, Employee may utilize the services of his executive assistant to assist Employee with *de minimis* personal matters.

(b) Employee shall be entitled to paid time off ("PTO") in accordance with the policy of Employer as may be established from time to time by Employer and applied to other senior vice presidents of Employer; *provided, however*, that Employee shall annually be entitled to the maximum amount of PTO afforded to any other senior vice president of Employer, but no less than four (4) weeks per full calendar year worked.

6. [Reserved]

7. Illness or Incapacity; Termination on Death or Permanent Disability.

(a) If during the term of this Agreement Employee becomes permanently disabled, as defined below, or dies, Employer shall pay to Employee or his estate compensation through the date of death or determination of permanent disability, including salary, any prior-year STIP compensation earned but not yet paid and the prorated portion of any current year STIP as

and when determined in the ordinary course of the calculation of current year STIP due to other senior vice presidents of Employer. Employer shall continue to provide medical insurance and other benefits to which Employee's dependents would otherwise have been entitled for 90 days following the date of death or determination of permanent disability, provided that Employee and Employee's dependents, as applicable, shall continue to pay the active-employee contribution toward such benefits. Effective upon the date of death or determination of permanent disability, any and all options, rights or awards under any of Employer's incentive compensation plans that have been granted to, and that have not been forfeited by, Employee before the date of death or termination on account of permanent disability shall immediately vest on a prorated basis to reflect the portion of the applicable vesting period lapsed as of the date of death or termination on account of permanent disability. Except for the benefits set forth in the preceding sentences and any life or disability insurance benefits included in the benefit package provided at such time by Employer to Employee, Employer shall have no additional financial obligation under this Agreement to Employee or his estate. After receiving the payments and health, life, or disability insurance benefits provided in this subparagraph (a), Employee and his estate shall have no further rights under this Agreement.

(b) The terms "permanently disabled" and "permanent disability" as used in this Agreement shall mean that Employee is unable to engage in any substantial gainful activity for a period of at least ninety (90) consecutive days (provided that a return to full work status of less than five full days shall be deemed not to interrupt the calculation of such 90 days), or one hundred twenty (120) days in any twelve (12) month period, by reason of any physical or mental impairment. In the event that Employee becomes "permanently disabled," the Board may terminate Employee's employment under this Agreement upon written notice. If any determination with respect to "permanent disability" is disputed by Employee, Employee agrees to abide by the determination of a qualified, independent physician selected by Employer in good faith. Employee agrees to make himself available for and submit to examinations by such physician as may be reasonably directed by the Board. Failure to submit to any such examination shall constitute a breach of a material part of this Agreement.

(c) All rights of Employee under this Agreement (other than rights already accrued) shall terminate upon Employee's permanent disability, although Employee shall continue to receive any disability benefits to which he may be entitled under any disability income insurance that may be carried by or provided by Employer from time to time. For the avoidance of doubt, during any period of disability, illness or incapacity during the term of this Agreement that renders Employee at least temporarily unable to perform the services required under this Agreement and does not result in Employee's permanent disability, Employee shall receive the compensation payable under Section 3(a) of this Agreement plus any STIP compensation earned during such period, less any benefits received by him under any disability insurance carried by or provided by Employer.

8. Terminations Other Than For Death or Disability.

(a) By Employee

(i) Employee may terminate his employment hereunder for any reason whatsoever other than “good reason” upon giving at least thirty (30) days’ prior written notice. In addition, Employee shall have the right to terminate his employment hereunder at any time for “good reason.” As used herein, “good reason” means the occurrence of any of the following: (1) the relocation of Employee’s office to a location outside the State of Illinois or more than fifty (50) miles from its present location, (2) Employee no longer holds the position (or a position of equal or greater authority and responsibility) held by Employee on the Commencement Date, (3) a change in reporting structure of Employer where Employee is required to report to someone holding a title or position different from the title or position of the person to whom Employee was required to report on the Commencement Date, unless that person has been identified as the intended successor to the person to whom Employee reports on the Commencement Date, (4) any action or inaction that constitutes a material breach by Employer of this Agreement (other than with respect to any provision of this Agreement covered by any of clauses (1) through (3) of this definition of “good reason”), or (5) any Change in Control in connection with which (A) this Agreement is not assumed or continued by any purchaser, acquirer, controlling person or successor to Employer (an “Acquiror”) and (B) Employee is not offered employment by such Acquiror for the same or a substantially similar executive position and with the same or substantially similar compensation and other benefit opportunities in the aggregate, in each case as enjoyed by Employee immediately before the Change in Control (*provided, however*, that (i) if Employee receives gross aggregate proceeds (whether in cash or property) in excess of one million dollars (\$1,000,000) as a result of such Change in Control in respect of options, rights or awards under any of Employer’s incentive compensation plans (including shares held following the exercise of any option), with the value of the non-cash portion, if any, of such proceeds being determined in good faith by the Board at fair market value as of the date of such Change in Control, the determination of whether Employee is offered “substantially similar compensation and other benefits opportunities” shall be made without regard to equity-based compensation opportunities, and (ii) if clause (i) does not apply, equity-based compensation opportunities offered by such Acquiror shall be deemed to be “substantially similar” to the equity-based compensation opportunities enjoyed by Employee immediately before the Change in Control if such equity-based compensation opportunities offered by Acquiror are on market-appropriate terms for a company of Employer’s size and industry). Notwithstanding the foregoing, Employee will not have “good reason” to terminate his employment unless (i) he provides the Board with a written notice detailing the specific circumstances alleged to constitute “good reason” within ninety (90) days after Employee first learns (or should have learned) of the first occurrence of such

circumstances, (ii) Employer is given a period of thirty (30) days following receipt of such written notice to cure the applicable “good reason” condition, if susceptible to cure, and (iii) Employee actually terminates employment within thirty (30) days following the expiration of Employer’s thirty (30) day cure period described above. For the avoidance of doubt, Employee agrees that neither the Restructuring nor any transactions contemplated pursuant thereto or to the RSA, shall constitute “good reason” hereunder, and Employee hereby waives any right to claim “good reason” solely by virtue of consummation thereof.

(ii) If Employee gives notice to terminate his employment without “good reason” pursuant to the first sentence of Section 8(a)(i) above, Employer shall have the right to waive all or any portion of the required notice period, and terminate Employee’s employment early, without re-characterizing such termination as a voluntary termination by Employee without “good reason”; *provided, however*, that notwithstanding such early termination, Employee shall remain entitled to payment of compensation and all other benefits to which Employee would have been entitled hereunder in respect of such notice period in the absence of such early termination.

(iii) If Employee terminates his employment hereunder with “good reason” effective on a date earlier than the end of the Initial Term or any then-applicable Extension Period, then (a) any and all options, rights or awards under any of Employer’s incentive compensation plans that have been granted to, and that have not been forfeited by, Employee before the date of such termination shall immediately vest on a prorated basis to reflect the portion of the applicable vesting period lapsed as of the date of termination; (b) Employee shall receive a cash severance amount (the “Cash Severance”) equal to the product of (x) Employee’s Applicable Base and (y) one (1.0) (the “Severance Multiple”), such Cash Severance (in all circumstances contemplated under this Agreement) to be paid:

(1) sixty-five percent (65%) upon the next regular payroll date of Employer following the effectiveness of the Release (as defined below) and the remaining thirty-five percent (35%) in equal monthly installments for six (6) months beginning on the first (1<sup>st</sup>) regular payroll date of Employer following the six (6) month anniversary of the effective date of termination, *except* that in the event of a Qualifying Change in Control (as defined below) occurring prior to any scheduled payment date for such deferred payments, such deferred payments shall be paid in full in a single lump sum on the later of (x) the closing date of such Qualifying Change in Control and (y) the first (1<sup>st</sup>) regular payroll date of Employer following the six (6) month anniversary of the effective date of the termination; or

(2) in the case of a termination upon or within twenty-four (24) months following a Qualifying Change in Control, in a single lump-sum payment on the effective date of the termination; and

(c) subject to Employee's timely election and COBRA continuation of health insurance continuation coverage under Employer's applicable benefit plans, a monthly cash reimbursement, for the period of twelve (12) months following the termination of the Agreement (or if earlier, until Employee ceases enrollment in such continuation coverage), of the portion of Employee's cost of COBRA premiums that is in excess of the active-employee cost of such coverage (which active-employee cost shall be the responsibility of Employee), with such monthly cost-reimbursement being paid by Employer directly to the coverage provider in accordance with Employer's past practices; (d) Employee shall continue to receive the perquisites specified in Section 3(f) for the period of one (1) year following the termination of the Agreement (*provided, however*, that if such perquisites are not available under Employer's benefit plans or applicable law, Employer shall be responsible for the reasonable cost of providing equivalent perquisites); and (e) the prorated portion, up to and including the termination date, of any current year STIP as and when determined in the ordinary course of the calculation of current year STIP due to other executives of Employer. The benefits described in clauses (a) through (e) above shall be referred to herein as the "Severance Benefits." For the avoidance of doubt, to the extent that any of the Severance Benefits (in relation to any form of termination of employment under this Agreement) are deferred and not paid in full to Employee on the effective date of his termination, and Employee should later die prior to receiving such deferred Severance Benefits, any outstanding Severance Benefits due and owing to Employee at the time of his death shall be paid in full in a single lump sum to Employee's estate upon presentation to Employer of a certified death certificate. As used herein, the term "Qualifying Change in Control" means a Change in Control (as defined below) that constitutes a change in the ownership or effective control of Employer, or in the ownership of a substantial portion of the assets of Employer, in either case within the meaning of Section 409A (as defined below).

For purposes of this Agreement, the "Applicable Base" shall be the sum of (a) the annual rate of Employee's Base Salary pursuant to Section 3(a) in effect at the time of termination of employment (but no less than such rate of such Base Salary as of the Commencement Date) and (b) the amount of Employee's Target STIP award for the year in which the termination occurs (but no less than the amount of such Target STIP for the year in which the Commencement Date occurs).

(b) By Employer for Good Cause

(i) Employer may terminate the employment of Employee hereunder for "good cause" (as defined below) immediately upon written notice.

(ii) As used herein, "good cause" shall mean:

(1) Employee's conviction of, or entry of a plea of guilty or "nolo contendere" to, either (x) a felony or (y) any other crime that has, or could be reasonably expected to have, a materially adverse impact on the performance of Employee's duties to Employer or otherwise result in material injury to the reputation or business of Employer;

(2) Employee's engaging in criminal misconduct involving moral turpitude if, as a result, in the reasonable judgement of Employer, Employee's credibility and reputation no longer conform to the standard required of Employer's executives;

(3) Employee's willful failure to take actions permitted by law and necessary to implement Employer's policies that the Board (or Employee's direct supervisor) has communicated to him in writing, provided that such policies that are reflected in minutes of a Board meeting attended in its entirety by Employee shall be deemed communicated to Employee;

(4) Employee's willful and continued failure to devote substantially his full business time, energy and attention to his duties as a senior vice president of Employer or its affiliates as contemplated in Section 5(a) above, following written notice from the Board (or Employee's direct supervisor) to Employee of such failure; or

(5) Employee's willful breach of any material provision of this Agreement.

With respect to clauses (2) through (5) above, such circumstances shall not constitute "good cause" unless Employee has failed to cure such circumstances within thirty (30) days following written notice thereof from Employer identifying in reasonable detail such circumstances constituting "good cause"; *provided*, that during such cure period Employee shall not be entitled to any compensation hereunder other than continued payment of Base Salary and benefits pursuant to Section 3(d) and Section 3(f), and upon Employee's failure to cure, the termination of employment shall be deemed effective as of the date of Employer's delivery of written notice of termination for "good cause." For purposes of this Agreement, no act or failure to act on Employee's part shall be considered "willful" unless it is done, or omitted to be done, by him in bad faith or without reasonable belief that his action or omission was in the best interests of Employer. Any act or failure to act pursuant to express authority given by resolution duly adopted by the Board or pursuant to the advice of legal counsel for Employer or any of its subsidiaries (other than in-house legal counsel) shall be conclusively presumed to be done, or omitted to be done, in good faith and in the best interests of Employer.



(iii) Termination of the employment of Employee by Employer (other than by reason of any non-renewal of employment in accordance with Section 2 or by reason of Employee's death or permanent disability in accordance with Section 7) shall, unless such termination is for a reason expressly specified in this Agreement as good cause, be deemed to be a termination of employment by Employer "without good cause."

(c) By Employer Without Good Cause

(i) Employer may terminate the employment of Employee hereunder without "good cause" immediately upon written notice. If Employer shall terminate the employment of Employee without "good cause" (other than due to permanent disability) effective on a date earlier than the end of the Initial Term or any then-applicable Extension Period, then Employee shall be entitled to receive the Severance Benefits.

(ii) The parties agree that, because there can be no exact measure of the damages that would occur to Employee as a result of a termination by Employer of Employee's employment without "good cause," the payments and benefits paid and provided pursuant to Section 8 shall be deemed to constitute liquidated damages and not a penalty for Employer's termination of Employee's employment without "good cause," and Employer agrees that Employee shall not be required to mitigate his damages.

(d) Change in Control

(i) If a Change in Control of Employer shall occur, then any and all options, rights or awards under any of Employer's incentive compensation plans that have been granted to, and that have not been forfeited by, Employee before the date of such Change in Control (including, for the avoidance of doubt, any awards granted or allocated in accordance with the preceding clause (a) of this Section 8(d)(i)) shall be deemed to have vested in full as of immediately before the date of such Change in Control.

(ii) If the employment of Employee is terminated "in connection with a Change in Control" (as defined below), then, for purposes of determining the Severance Benefits, (I) the Severance Multiple shall be one times (1.0x) and (II) the period of COBRA premium reimbursement under clause (d) of Section 8(a)(iii) above shall be twelve (12) months. For purposes of this Section 8(d)(ii):

(1) A termination of employment shall be deemed to be "in connection with a Change in Control" (A) if Employer terminates the employment of Employee hereunder without "good cause" (other than due to permanent disability) either on the effective date of a Change in Control, or in anticipation of or preparation for a reasonably expected and specific Change in Control (as

determined by the Board in good faith), or (B) if, within twenty-four (24) months following a Change in Control, either Employer terminates the employment of Employee hereunder without “good cause” (other than due to permanent disability) or Employee terminates his employment hereunder with “good reason.”

(iii) The term “Change in Control” shall mean any of the following that occurs after the Commencement Date:

(1) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, including the regulations and other applicable authorities thereunder (the “Exchange Act”)) (“Person”), other than any Designated Holder (as defined below) or Designated Holders acting as a group, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) (“Beneficial Owner”), directly or indirectly, of securities of Employer (not including in the securities beneficially owned by such Person any securities acquired directly from Employer or its affiliates) representing forty percent (40%) or more of the combined voting power of Employer’s then-outstanding voting securities entitled to vote generally in the election of directors;

(2) members of the Incumbent Board cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the consummation of the Restructuring whose election, or nomination for election by Employer’s stockholders, was approved by a vote of at least a majority of the directors then constituting the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual’s initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board (with the term “Incumbent Board” to mean the members of the Board as of immediately following the consummation of the Restructuring);

(3) approval by the shareholders of Employer of a complete dissolution or liquidation of Employer;

(4) any sale or disposition to a Person of all or substantially all of the assets of Employer (including by way of merger of any direct or indirect subsidiary of Employer with any other corporation or entity); and

(5) there is consummated a merger or consolidation of Employer, other than (A) a merger or consolidation immediately following which the individuals who constitute the Incumbent Board immediately prior thereto constitute

at least a majority of the board of directors of Employer, the entity surviving such merger or consolidation, or, if Employer or the entity surviving such merger or consolidation is then a subsidiary, the ultimate parent thereof, (B) a merger or consolidation (or similar transaction) following which no Person is or becomes a Beneficial Owner, directly or indirectly, of securities of Employer or the entity surviving such merger or consolidation (not including in the securities beneficially owned by such Person any securities acquired directly from Employer or its affiliates) representing forty percent (40%) or more of the combined voting power of the then-outstanding securities of Employer or the entity surviving such merger or consolidation (other than a Person that was, prior to such merger or consolidation (or similar transaction) a Beneficial Owner, directly or indirectly, of securities of Employer representing forty percent (40%) or more of the combined voting power of Employer's then-outstanding securities), or (C) a merger or consolidation (or similar transaction) following which the individuals and entities that were the Beneficial Owners of the outstanding voting securities of Employer remain direct or indirect Beneficial Owners of forty percent (40%) or more of the combined voting power of the then-outstanding securities of Employer or the entity surviving such merger or consolidation.

As used herein, the term "Designated Holder" means any of the following, or any of their respective controlled affiliates, or any fund or account managed, advised or controlled by any of the following or any of their respective controlled affiliates: Highbridge Capital Management, LLC, Wolverine Asset Management, LLC, Corre Partners Management, LLC, Whitebox Advisors LLC, and SGF, Inc.

(e) If the employment of Employee is terminated for "good cause" or if Employee voluntarily terminates his employment without "good reason," Employer shall pay to Employee any compensation earned but not paid to Employee prior to the effective date of such termination and shall provide such benefits as are required by applicable law or the terms of relevant benefit plans of Employer; *provided*, that for purposes of this sentence, any unpaid prior-year STIP shall be forfeited as of such termination. Under such circumstances, such payment shall be in full and complete discharge of any and all liabilities or obligations of Employer to Employee hereunder, and Employee shall be entitled to no further benefits under this Agreement.

(f) Employer's obligations to provide the Severance Benefits or any benefits pursuant to clause (ii) of Section 3(i)(A) above shall be conditioned upon Employee's timely execution, delivery to Employer, and non-revocation of the release of claims substantially in the form attached hereto as Appendix A (the "Release"), and the expiration of the period (if any) during which the Release can be revoked within the fifty-five (55) day period following Employee's date of termination; *provided*, that, if such fifty-five (55) day period spans two (2) calendar years, no

Severance Benefits that would constitute non-qualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”), shall be paid or commenced to be paid until the second year, with the first payment including any amount that would have been paid during such fifty-five (55) day period but for this sentence being made promptly following such fifty-five (55) day period. Employer and Employee agree that, should Employer fail to provide the Severance Benefits to Employee, the Release shall be void *ab initio*.

9. Inventions and Other Intellectual Property. Employee agrees that during the term of his employment by Employer, he will disclose to Employer (and no one else) all, and will not use for his own benefit or otherwise misappropriate any, ideas, methods, plans, developments or improvements known by him which relate directly or indirectly to A.M. Castle’s Business (as defined below), whether acquired by Employee before or during his employment by Employer. Employee acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and similar or related information (whether or not patentable) that relate to the actual or anticipated business, research and development, or existing or future products or services of Employer and that are conceived, developed, or made by Employee while employed by Employer (“Work Product”) belong to Employer. Any copyrightable work falling within the definition of Work Product shall be deemed a “work made for hire” as such term is defined in 17 U.S.C. Section 101, and ownership of all right, title, and interest therein shall vest in Employer. To the extent that any Work Product is not deemed a “work made for hire” under applicable law, or all right, title, and interest in and to such Work Product has not automatically vested in Employer, Employee hereby irrevocably assigns, transfers, and conveys, to the full extent permitted by applicable law, all right, title, and interest in and to the Work Product on a worldwide basis to Employer without further consideration. Employee will promptly disclose such Work Product to Employer and perform all actions requested by Employer (whether during or after employment) to establish and confirm such ownership (including without limitation, assignments, consents, powers of attorney, and other instruments). Nothing in this Section 9 shall be construed as requiring any such communication where the idea, plan, method or development is lawfully protected from disclosure as a trade secret of a third party or by any other lawful prohibition against such communication.

10. Confidential Information and Trade Secrets; Non-Disparagement.

(a) For purposes of this Agreement, the term “A.M. Castle’s Business” shall mean any business in which Employer or any of its subsidiaries is engaged, including, without limitation, the business of distributing specialty metals to customers within the producer durable equipment, aerospace, heavy industrial equipment, industrial goods, construction equipment, oil and gas, and retail sectors in the Restricted Area (as defined below). In this business, Employer generates a tremendous volume of Confidential Information and Trade Secrets, which it hereby agrees to share with Employee, and which Employee will have access to and knowledge of through

or as a result of Employee's employment with Employer. "Confidential Information and Trade Secrets" includes any information, data or compilation of information or data developed, acquired or generated by Employer, or its employees (including information and materials conceived, originating, discovered, or developed in whole or in part by Employee at the request of or for the benefit of Employer or while employed by Employer) that is not generally known to persons who are not employees of Employer, and that Employer generally does not share other than with its employees, or with its customers and suppliers on an individual transactional basis. "Confidential Information and Trade Secrets" may be written, verbal or recorded by electronic, magnetic or other methods, whether or not expressly identified as "Confidential" by Employer.

(b) "Confidential Information and Trade Secrets" includes, but is not limited to, the following information and materials:

(i) Financial information, of any kind, pertaining to Employer, including, without limitation, information about the profit margins, profitability, income and expenses of Employer or any of its divisions or lines of business;

(ii) Names and all other information about, and all communications received from, sent to or exchanged between, Employer and any person or entity that has purchased, contracted, hired, or chartered equipment, vehicles, vessels, personnel or services, or otherwise entered into a transaction with Employer regarding A.M. Castle's Business, or to which Employer has made a proposal with respect to A.M. Castle's Business (such person or entity being hereinafter referred to as "Customer" or "Customers");

(iii) Names and other information about Employer's employees, including their experience, backgrounds, resumes, compensation, sales or performance records or any other information about them;

(iv) Any and all information and records relating to Employer's contracts, transactions, charges, prices, or sales to its Customers, including invoices, proposals, confirmations, statements, accounting records, bids, payment records or any other information regarding transactions between Employer and any of its Customers;

(v) All information about the employees, agents or representatives of Customers who are involved in evaluating, providing information for, deciding upon, or committing to purchase, sell or otherwise enter into a transaction relating to A.M. Castle's Business (each such individual being hereinafter referred to as a "Customer Representative") including, without limitation, with respect to any such individual, his name, address, telephone and facsimile numbers, email addresses, titles, positions, and duties, and all records of communications to, from or with any such Customer Representative;

(vi) Any and all information or records relating to Employer's contracts or transaction with, or prices or purchases from any person or entity from which Employer has purchased or otherwise acquired goods or services of any kind used in connection with A.M. Castle's Business (each such person or entity being hereinafter referred to as a "Supplier"), including invoices, proposals, confirmations, statements, accounting records, bids, payment records or any other information documents regarding amounts charged by or paid to suppliers for products or services;

(vii) All information about the employees, agents or representatives of Suppliers who are involved in evaluating, providing information for, deciding upon, or committing to purchase, sell or otherwise enter into a transaction relating to A.M. Castle's Business (each such individual being hereinafter referred to as "Supplier Representative") including, without limitation, with respect to any such individual, his name, address, telephone and facsimile numbers, email addresses, titles, positions, and duties, and all records of communications to, from or with any such Supplier Representative;

(viii) Employer's marketing, business and strategic growth plans, methods of operation, methods of doing business, cost and pricing data, and other compilations of information relating to the operations of Employer.

(c) Employee acknowledges that all notes, data, forms, reference and training materials, leads, memoranda, computer programs, computer print-outs, disks and the information contained in any computer, and any other records that contain, reflect or describe any Confidential Information and Trade Secrets belong exclusively to Employer. Employee shall promptly return such materials and all copies thereof in Employee's possession to Employer upon termination of his employment, regardless of the reasons therefor.

(d) During Employee's employment with Employer and thereafter, Employee will not copy, publish, convey, transfer, disclose or use, directly or indirectly, for Employee's own benefit or for the benefit of any other person or entity (except Employer) any Confidential Information and Trade Secrets. Employee's obligation shall continue in full force and effect at all times during and after the termination of Employer's employment. Employee will abide by all rules, guidelines, policies and procedures relating to Confidential Information and Trade Secrets implemented and/or amended from time to time by Employer. Notwithstanding the foregoing, Employee will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; or is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Employee files a lawsuit for retaliation by Employer for reporting a suspected violation of law, Employee may disclose Employer's trade secrets to

Employee's attorney and use the trade secret information in the court proceeding if Employee (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(e) Employee agrees that at no time during or following his employment with Employer shall he make any disparaging, defamatory, or untrue public comments (whether orally, in writing, through electronic media, or otherwise) regarding Employer or any of its affiliates, or any of its or their respective current or former shareholders, directors, officers, or employees in any respect. Employer agrees to use reasonable efforts to instruct each of its directors and officers to, at no time during or following Employee's employment with Employer, make any disparaging, defamatory, or untrue public comments (whether orally, in writing, through electronic media, or otherwise) regarding Employee in any respect.

Notwithstanding anything herein to the contrary, or in any agreement or communication between Employer and Employee, (x) the confidentiality and nondisclosure obligations herein shall not prohibit or restrict Employee from initiating communications directly with, or responding to any inquiry from, or providing testimony before, the SEC, any other governmental agency, any self-regulatory organization or any other state or federal regulatory authority, regarding any possible securities law violations, and (y) Employer shall not enforce or threaten to enforce, any confidentiality agreement or other similar agreement, nor take or threaten to take any other action against Employee for engaging in the types of communications described in (x) above.

#### 11. Noncompetition and Nonsolicitation.

(a) During the term of Employee's employment, Employer agrees to provide, and to continue to provide Employee, on a daily, weekly, monthly and continual basis, access to, and the use of, its "Confidential Information and Trade Secrets" concerning A.M. Castle's Business, and Employer's employees, Customers and Customer Representatives, Suppliers and Supplier Representatives and Employer's transactional histories with all of them, as well as information about the logistics, details, revenues and expenses of A.M. Castle's Business, in order to allow Employee to perform Employee's duties under this Agreement, and to develop or continue to solidify relationships with Customers, Customer Representatives, Suppliers and Supplier Representatives. Employee acknowledges that new and additional Confidential Information and Trade Secrets regarding each of these matters is developed by Employer as a part of its continuing operations, and Employer hereby agrees to provide Employee access to and use of all such new, additional and continuing Confidential Information and Trade Secrets, and Employee acknowledges that access to such new, additional and continuing Confidential Information and Trade Secrets is essential for Employee to be able to perform, and to continue to perform, Employee's duties under this Agreement. In addition, Employer agrees to provide, and to continue to provide, training, education, direction and development to Employee with respect to all of Employer's business methods, processes, procedures, software and information, including newly developed and newly discovered

information, in order to ensure that Employee can perform Employee's duties hereunder and participate in A.M. Castle's Business.

(b) In consideration of Employer's agreement to provide Employee with access to and use of its Confidential Information and Trade Secrets, including new, additional and continuing Confidential Information and Trade Secrets, and to provide training, Employee agrees to refrain from competing with Employer, or otherwise engaging in Restricted Activities, within the Restricted Area, each as defined herein, during the Restricted Period.

(c) Restricted Period. Employee agrees that Employee will not, directly or indirectly, engage in any of the Restricted Activities within the Restricted Area during the Restricted Period. For purposes of this Agreement, the "Restricted Period" shall mean the term of Employee's employment with Employer, including the Initial Term and any Extension Period, and thereafter until the expiration of the twelve (12) month period following the termination of such employment (the "Restricted Period").

(d) Restricted Activities. Restricted Activities shall mean and include all of the following:

(i) directly or indirectly, owning, managing, operating, joining, controlling, being employed by, or participating in the ownership, management, operation or control of, or being connected in any manner with, including, without limitation, holding any position as an employee, officer, director, agent, independent contractor, recruiter, consultant, partner, shareholder, investor, lender, underwriter or in any other individual or representative capacity in, any person, entity or business that is engaged in A.M. Castle's Business (a "Restricted Enterprise"). The restrictions of this section shall not be violated by (i) the ownership of no more than 5% of the outstanding securities of any company whose stock is publicly traded or (ii) following the termination of Employee's employment with Employer, his employment by a law firm, a certified public accounting firm, or a commercial or investment bank that may have as a client or customer: (A) a Restricted Enterprise or (B) any of the clients or customers of Employer with whom Employer did business during the term of Employee's employment, so long as Employee does not directly or indirectly serve, advise or consult in any way such Restricted Enterprise or client or customer of Employer, respectively, during the Restricted Period.

(ii) Recruiting, hiring or attempting to recruit or hire, either directly or by assisting others, any other employee of Employer, or any of its customers or suppliers in connection with A.M. Castle's Business. For purposes of this covenant, "any other employee" shall include employees, consultants, independent contractors or others who are still actively employed by, or doing business with, Employer, its Customers or Suppliers,



at the time of the attempted recruiting or hiring, or were so employed or doing business at any time within six months prior to the date of such attempted recruiting or hiring;

(iii) Communicating, by any means, soliciting or offering to solicit the purchase, performance, sale, furnishing, or provision of any equipment, services, or products that constitute any part of A.M. Castle's Business to, for or with any Customer, Customer Representative, Supplier or Supplier Representative; and

(iv) Using, disclosing, publishing, copying, distributing or communicating any Confidential Information and Trade Secrets to or for the use or benefit of Employee or any other person or entity other than Employer.

(e) Permitted Activities. Subject to Section 5(a) and Section 10, no provision of this Agreement shall prohibit (i) Employee's continued consulting positions, officer positions, board memberships and service with board committees and/or investments in the entities listed on Schedule 1 attached hereto (the "Scheduled Entities") provided that (A) Employee's role or amount of time spent with respect to any of the Scheduled Entities does not expand or increase from that in effect on the Commencement Date, and (B) the nature and scope of the services and/or products provided by the Scheduled Entities does not change from that in effect on the Commencement Date, or (ii) such other activities as may be approved by the Board at any time after the Commencement Date (collectively, the "Permitted Activities").

(f) Restricted Area. The Restricted Area shall mean and include anywhere in the world.

(g) Agreement Ancillary to Other Agreements. This covenant not to compete is ancillary to and part of other agreements between Employer and Employee, including, without limitation, Employer's agreement to disclose, and to continue to disclose, its Confidential Information and Trade Secrets, and its agreement to provide, and to continue to provide, training, education and development to Employee.

(h) Independent Agreements. The parties hereto agree that the foregoing restrictive covenants set forth herein are essential elements of this Agreement, and that, but for the agreement of Employee to comply with such covenants, Employer would not have agreed to enter into this Agreement. Such covenants by Employee shall be construed as agreements independent of any other provision in this Agreement. The existence of any claim or cause of action of Employee against Employer, whether predicated on this Agreement, or otherwise, shall not constitute a defense to the enforcement by Employer of such covenants. Notwithstanding the foregoing, Employee's non-competition restrictions under this Agreement shall be void *ab initio* to the extent that the Severance Benefits are owed to Employee pursuant to Section 8 above and are not actually paid to Employee at the time scheduled for payment thereof in accordance with this Agreement (subject

to Employer's right to cure any non-payment within sixty (60) days following Employee's written notice of non-payment to the Board or, if Employer disputes in good faith Employee's rights to the Severance Benefits, within sixty (60) days following the final resolution of such dispute).

(i) Equitable Reformation. The parties hereto agree that if any portion of the covenants set forth herein are held to be illegal, invalid, unreasonable, arbitrary or against public policy, then such portion of such covenants shall be considered divisible both as to time and geographical area. Employer and Employee agree that, if any court of competent jurisdiction determines the specified time period or the specified geographical area applicable herein to be illegal, invalid, unreasonable, arbitrary or against public policy, a lesser time period or geographical area that is determined to be reasonable, non-arbitrary and not illegal or against public policy may be enforced against Employee. Employer and Employee agree that the foregoing covenants are appropriate and reasonable when considered in light of the nature and extent of the business conducted by Employer and the Confidential Information and Trade Secrets and training provided by Employer to Employee.

12. Injunctive Relief. Employee agrees that damages at law will be an insufficient remedy to Employer if Employee violates or attempts or threatens to violate the terms of Section 9, 10 or 11 of this Agreement and that Employer would suffer irreparable damage as a result of such violation or attempted or threatened violation. Accordingly, it is agreed that Employer shall be entitled, upon application to a court of competent jurisdiction, to obtain injunctive relief to enforce the provisions of such Sections, which injunctive relief shall be in addition to any other rights or remedies available to Employer, at law or in equity. In the event that either party commences legal action relating to the enforcement of the terms of Section 9, 10 or 11 of this Agreement, the prevailing party in such action shall be entitled to recover from the other party all of the costs and expenses in connection therewith, including reasonable fees and disbursements of counsel (both at trial and in appellate proceedings).

13. Compliance with Other Agreements. Employee represents and warrants that the execution of this Agreement by him and his performance of his obligations hereunder will not conflict with, result in the breach of any provision of or the termination of or constitute a default under any agreement to which Employee is a party or by which Employee is or may be bound.

14. Waiver of Breach. The waiver by Employer of a breach of any of the provisions of this Agreement by Employee shall not be construed as a waiver of any subsequent breach by Employee.

15. Binding Effect; Assignment.

(a) A.M. Castle's Business, as defined in Section 10, is carried on by, and the Confidential Information and Trade Secrets as defined in Section 10 have been, and will continue

to be, developed by Employer and each of Employer's subsidiaries and affiliates, all of which shall be included within the meaning of the word "Employer" as that term is used in Sections 9, 10, 11 and 12 of this Agreement. This Agreement shall inure to the benefit of, and be enforceable by, Employer and each of the subsidiaries and affiliates included within the definition of the word "Employer" as used in Sections 9, 10, 11 and 12.

(b) The rights and obligations of Employer under this Agreement shall inure to the benefit of and shall be binding upon the assigns and successors of Employer by merger, consolidation or otherwise, and in the event of any business combination or transaction that results in the transfer of all or substantially all of the assets or business of Employer, Employer shall cause the transferee to assume the obligations of Employer under this Agreement. This Agreement is a personal employment contract and the rights, obligations and interests of Employee hereunder may not be sold, assigned, transferred, pledged or hypothecated.

16. Indemnification. Employee shall be entitled throughout the term of this Agreement and thereafter to indemnification by Employer in respect of any actions or omissions as an employee, officer or director of Employer (or any successor thereof) to the fullest extent permitted by law. If Employee is also entitled to the benefits of indemnification under any separate agreement with Employer, such agreement is hereby reaffirmed and ratified, and this section shall be read as complimentary with and not in conflict with or substitution for such other indemnification agreement. Employer also agrees to obtain directors and officers (D&O) insurance in a reasonable amount determined by the Board and to maintain such insurance during the term of this Agreement (as such Agreement may be extended from time to time) and to ensure that Employee, as a former officer of Employer, is covered under such D&O insurance as may be purchased by Employer either as a going concern or in the form of a "tail" policy thereafter.

17. Entire Agreement. This Agreement (including Appendix A and Schedule 1, as either may be amended from time to time) contains the entire agreement and supersedes all prior agreements and understandings, oral or written, with respect to the subject matter hereof. This Agreement may be changed only by an agreement in writing signed by the party against whom any waiver, change, amendment, modification or discharge is sought.

18. Construction and Interpretation.

(a) The Board shall have the sole and absolute discretion to construe and interpret the terms of this Agreement on behalf of Employer, unless another individual or entity is charged with such responsibility.

(b) This Agreement shall be construed pursuant to and governed by the laws of the State of Illinois (but no provision of Illinois law shall apply to cause the application of the law of a state or jurisdiction other than Illinois).

(c) The headings of the various sections in this Agreement are inserted for convenience of the parties and shall not affect the meaning, construction or interpretation of this Agreement.

(d) Consistent with Section 11(i), the following sentences of this Section 18(d) shall apply. Any provision of this Agreement that is determined by a court of competent jurisdiction to be prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction. In any such case, such determination shall not affect any other provision of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect. If any provision or term of this Agreement is susceptible to two or more constructions or interpretations, one or more of which would render the provision or term void or unenforceable, the parties agree that a construction or interpretation that renders the term or provision valid shall be favored.

(e) This Agreement shall be construed to the extent necessary to comply with the provisions of Section 409A of the Code and any Treasury Regulations and other guidance issued thereunder

19. Notice. All notices that are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy or similar electronic transmission method; one working day after it is sent, if sent by recognized expedited delivery service; and five days after it is sent, if mailed, first-class mail, certified mail, return receipt requested, with postage prepaid. In each case notice shall be sent to:

To Employer:           A.M. Castle & Co.  
                                   Attention: President  
                                   1420 Kensington Road, Suite 220  
                                   Oak Brook, IL 60523  
                                   Fax: (847) 455-0587

To Employee, at Employee's home address reflected in the Company's records.

20. Venue; Process. The parties agree that all obligations payable and performable under this Agreement are payable and performable at the offices of Employer in Oak Brook, DuPage County, Illinois. The parties to this Agreement agree that jurisdiction and venue in any action brought pursuant to this Agreement to enforce its terms or otherwise with respect to the relationships between the parties shall properly lie in the Judicial District Court for DuPage County or in the United States District Court for the Northern District of Illinois, Eastern Division, Chicago Office.

21. Six-Month Delay. Notwithstanding any provision of this Agreement to the contrary, if, at the time of Employee's termination of employment with Employer, he is a "specified employee" as defined in Section 409A, and one or more of the payments or benefits received or to be received by Employee upon such termination pursuant to this Agreement would constitute deferred compensation subject to Section 409A, no such payment or benefit will be provided under this Agreement until the earlier of (a) the date that is six (6) months following Employee's termination of employment with Employer and (b) Employee's death. The provisions of this Section 21 shall apply only to the extent required to avoid Employee's incurrence of any penalty tax or interest under Section 409A.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

**EMPLOYER:**

**A.M. CASTLE & CO.**

/s/ Marec E. Edgar

By: Marec E. Edgar

Its: President

**EMPLOYEE:**

/s/ Jeremy Steele

Jeremy Steele

## APPENDIX A

### **YOU SHOULD CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE OF CLAIMS.**

#### **RELEASE**

1. In consideration of the payments and benefits to be made under the Amended and Restated Employment Agreement, dated as of \_\_\_\_\_, 20\_\_ (the "Employment Agreement"), by and between \_\_\_\_\_ (the "Employee") and A.M. Castle & Co. (the "Employer") (each of Employee and Employer, a "Party" and collectively, the "Parties"), the sufficiency of which Employee acknowledges, Employee, with the intention of binding Employee and Employee's heirs, executors, administrators and assigns, does hereby release, remise, acquit and forever discharge Employer and each of its subsidiaries and affiliates (the "Employer Affiliated Group"), their present and former officers, directors, Employees, shareholders, agents, attorneys, employees and employee benefit plans (and the fiduciaries thereof), and the successors, predecessors and assigns of each of the foregoing (collectively, the "Employer Released Parties"), of and from any and all claims, actions, causes of action, complaints, charges, demands, rights, damages, debts, sums of money, accounts, financial obligations, suits, expenses, attorneys' fees and liabilities of whatever kind or nature in law, equity or otherwise, whether accrued, absolute, contingent, unliquidated or otherwise and whether now known or unknown, suspected or unsuspected, that Employee, individually or as a member of a class, now has, owns or holds, or has at any time heretofore had, owned or held, arising on or prior to the date hereof, against any Employer Released Party that arises out of, or relates to, the Employment Agreement, Employee's employment with Employer or any of its subsidiaries and affiliates, or any termination of such employment, including claims (i) for severance or vacation benefits, unpaid wages, salary or incentive payments, (ii) for breach of contract, wrongful discharge, impairment of economic opportunity, defamation, intentional infliction of emotional harm or other tort, (iii) for any violation of applicable state and local labor and employment laws (including, without limitation, all laws concerning unlawful and unfair labor and employment practices) and (iv) for employment discrimination under any applicable federal, state or local statute, provision, order or regulation, and including, without limitation, any claim under Title VII of the Civil Rights Act of 1964 ("Title VII"), the Civil Rights Act of 1988, the Fair Labor Standards Act, the Americans with Disabilities Act ("ADA"), the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Age Discrimination in Employment Act ("ADEA"), and any similar or analogous state statute, excepting only:

- A. all rights and entitlements Employee may have under the Employment Agreement to receive the Severance Benefits;
- B. rights that Employee may have to vested benefits under Employer's Management Incentive Plan and any awards granted to Employee thereunder;

- C. claims for accrued benefits under any health, disability, retirement, life insurance or other, similar employee benefit plan (within the meaning of Section 3(3) of ERISA) of the Employer Affiliated Group; and
- D. rights to indemnification Employee has or may have under the by-laws or certificate of incorporation of any member of the Employer Affiliated Group or as an insured under any director's and officer's liability insurance policy now or previously in force.

For the avoidance of doubt, nothing in this Release shall release Employer from its continuing obligations under the Employment Agreement that survive a termination of the Employment Agreement.

2. Employee acknowledges and agrees that this Release is not to be construed in any way as an admission of any liability whatsoever by any Employer Released Party, any such liability being expressly denied.

3. This Release applies to any relief no matter how called, including, without limitation, wages, back pay, front pay, compensatory damages, liquidated damages, punitive damages, damages for pain or suffering, costs, and attorneys' fees and expenses.

4. Employee specifically acknowledges that Employee's acceptance of the terms of this Release is, among other things, a specific waiver of Employee's rights, claims and causes of action under Title VII, ADEA, ADA and any state or local law or regulation in respect of discrimination of any kind.

5. Employee acknowledges that Employee has been given a period of forty-five (45) days to consider whether to execute this Release. If Employee accepts the terms hereof and executes this Release, Employee may thereafter, for a period of seven (7) days following (and not including) the date of execution, revoke this Release. If no such revocation occurs, this Release shall become irrevocable in its entirety, and binding and enforceable against Employee, on the day next following the day on which the foregoing seven-day period has elapsed. If Employee does not timely execute this Release, or if such a revocation occurs, Employee shall irrevocably forfeit any right to payment of the Severance Benefits (as defined in the Employment Agreement), but the remainder of the Employment Agreement shall continue in full force.

6. Employee acknowledges and agrees that Employee has not, with respect to any transaction or state of facts existing prior to the date hereof, filed any complaints, charges or lawsuits against any Employer Released Party with any governmental agency, court or tribunal. Nothing herein shall limit or impede Employee's right to file or pursue an administrative charge with, or participate in, any investigation before the Securities & Exchange Commission, the Equal



Employment Opportunity Commission, or any other local, state, or federal agency, and/or any causes of actions that by law Employee may not legally waive.

7. Employee represents that Employee has been given an adequate opportunity to advise the Corporation's human resources, legal, or other relevant management division, and has so advised such division in writing, of any facts that Employee is aware of that constitute or might constitute a violation of any ethical, legal, or contractual standards or obligations of the Corporation or any Affiliate. Employee further represents that Employee is not aware of any existing or threatened claims, charges, or lawsuits that he/she has not disclosed to the Corporation.

8. Employee acknowledges that Employee has been advised to seek, and has had the opportunity to seek, the advice and assistance of an attorney with regard to this Release, and has been given a sufficient period within which to consider this Release.

9. Employee acknowledges that this Release relates only to claims that exist as of the date of this Release.

10. Employee acknowledges that the Severance Benefits that Employee is receiving in connection with this Release and Employee's obligations under this Release are in addition to anything of value to which Employee is entitled from Employer.

11. Each provision hereof is severable from this Release, and if one or more provisions hereof are declared invalid, the remaining provisions shall nevertheless remain in full force and effect. If any provision of this Release is so broad, in scope, or duration or otherwise, as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

12. This Release constitutes the complete agreement of the Parties in respect of the subject matter hereof and shall supersede all prior agreements between the Parties in respect of the subject matter hereof except to the extent set forth herein. For the avoidance of doubt, however, nothing in this Release shall constitute a waiver of any Employer Released Party's right to enforce any obligations of Employee under the Employment Agreement that survive the Employment Agreement's termination, including without limitation, any non-competition covenant, non-solicitation covenant or any other restrictive covenants contained therein.

13. The failure to enforce at any time any of the provisions of this Release or to require at any time performance by another party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect the validity of this Release, or any part hereof, or the right of any party thereafter to enforce each and every such provision in accordance with the terms of this Release.

14. Notwithstanding anything to the contrary herein, this Release shall be void *ab initio* if Employer fails to provide the Severance Benefits (as defined in the Employment Agreement) to Employee.

15. This Release may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Signatures delivered by facsimile shall be deemed effective for all purposes.

16. This Release shall be binding upon any and all successors and assigns of Employee and Employer.

17. Except for issues or matters as to which federal law is applicable, this Release shall be governed by and construed and enforced in accordance with the laws of the State of Illinois without giving effect to the conflicts of law principles thereof.

*[signature page follows]*

IN WITNESS WHEREOF, this Release has been signed of \_\_\_\_\_, 20\_\_.

**SCHEDULE 1**

**SCHEDULED ENTITIES AND PERMITTED ACTIVITIES**

Permitted Entities:

Permitted Activities:

**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: May 9, 2019

/s/ Steven W. Scheinkman

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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: May 9, 2019

/s/ Patrick R. Anderson

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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 March 31, 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

May 9, 2019

/s/ Patrick R. Anderson

\_\_\_\_\_  
Patrick R. Anderson

Executive Vice President, Finance and Administration

May 9, 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.