

# CASTLE A M & CO

## FORM 10-Q (Quarterly Report)

Filed 07/30/08 for the Period Ending 06/30/08

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

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For Quarterly Period Ended June 30, 2008

or,

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-5415

**A. M. Castle & Co.**

(Exact name of registrant as specified in its charter)

Maryland

(State or Other Jurisdiction of  
incorporation of organization)

36-0879160

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

3400 North Wolf Road, Franklin Park, Illinois

(Address of Principal Executive Offices)

60131

(Zip Code)

Registrant's telephone, including area code 847/455-7111

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

(Do not check if a smaller reporting company)

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

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

Class

Common Stock, \$0.01 Par Value

Outstanding at July 28, 2008

22,645,807shares

A. M. CASTLE & CO.  
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**CONDENSED CONSOLIDATED BALANCE SHEETS***(Dollars in thousands, except share and par value data)**Unaudited*

	As of	
	June 30, 2008	Dec 31, 2007
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 26,132	\$ 22,970
Accounts receivable, less allowances of \$3,434 at June 30, 2008 and \$3,220 at December 31, 2007	211,137	146,675
Inventories, principally on last-in, first-out basis (replacement cost higher by \$174,912 at June 30, 2008 and \$142,118 at December 31, 2007)	248,007	207,284
Other current assets	16,722	13,462
Total current assets	501,998	390,391
Investment in joint venture	21,050	17,419
Goodwill	113,847	101,540
Intangible assets	60,939	59,602
Prepaid pension cost	28,373	25,426
Other assets	8,389	7,516
Property, plant and equipment, at cost		
Land	5,194	5,196
Building	49,591	48,727
Machinery and equipment (includes construction in progress)	167,729	155,950
	222,514	209,873
Less — accumulated depreciation	(139,794)	(134,763)
	82,720	75,110
Total assets	<u>\$ 817,316</u>	<u>\$ 677,004</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 173,836	\$ 109,055
Accrued liabilities	31,342	33,143
Income taxes payable	3,190	2,497
Deferred income taxes — current	6,563	7,298
Current portion of long-term debt	7,416	7,037
Short-term debt	36,378	18,739
Total current liabilities	258,725	177,769
Long-term debt, less current portion	94,721	60,712
Deferred income taxes	39,992	37,760
Other non-current liabilities	17,144	15,688
Commitments and contingencies		
Stockholders' equity		
Common stock, \$0.01 par value — 30,000,000 shares authorized; 22,850,106 shares issued and 22,638,707 outstanding at June 30, 2008 and 22,330,946 shares issued and 22,097,869 outstanding at December 31, 2007	228	223
Additional paid-in capital	178,195	179,707
Retained earnings	229,515	207,134
Accumulated other comprehensive income	1,860	1,498
Treasury stock, at cost - 211,399 shares at June 30, 2008 and 233,077 shares at December 31, 2007	(3,064)	(3,487)
Total stockholders' equity	406,734	385,075
Total liabilities and stockholders' equity	<u>\$ 817,316</u>	<u>\$ 677,004</u>

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

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS***(Dollars in thousands, except per share data)**Unaudited*

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Net sales	\$397,115	\$372,608	\$790,594	\$747,959
Costs and expenses:				
Cost of materials (exclusive of depreciation and amortization)	297,196	270,263	588,540	539,713
Warehouse, processing and delivery expense	40,091	34,293	78,616	69,863
Sales, general and administrative expense	36,168	33,947	71,650	70,341
Depreciation and amortization expense	6,067	4,977	11,878	9,873
Operating income	17,593	29,128	39,910	58,169
Interest expense, net	(2,213)	(4,163)	(4,259)	(8,424)
Income before income taxes and equity in earnings of joint venture	15,380	24,965	35,651	49,745
Income taxes	(6,949)	(9,994)	(15,299)	(19,871)
Income before equity in earnings of joint venture	8,431	14,971	20,352	29,874
Equity in earnings of joint venture	2,820	1,391	4,713	2,323
Net income	11,251	16,362	25,065	32,197
Preferred stock dividends	—	(350)	—	(593)
Net income applicable to common stock	<u>\$ 11,251</u>	<u>\$ 16,012</u>	<u>\$ 25,065</u>	<u>\$ 31,604</u>
Basic earnings per share	<u>\$ 0.50</u>	<u>\$ 0.81</u>	<u>\$ 1.12</u>	<u>\$ 1.65</u>
Diluted earnings per share	<u>\$ 0.49</u>	<u>\$ 0.78</u>	<u>\$ 1.11</u>	<u>\$ 1.59</u>
Dividends per common share paid	<u>\$ 0.06</u>	<u>\$ 0.06</u>	<u>\$ 0.12</u>	<u>\$ 0.12</u>

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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(Dollars in thousands)**Unaudited*

	For the Six Months Ended June 30,	
	2008	2007
Operating activities:		
Net income	\$ 25,065	\$ 32,197
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	11,878	9,873
Amortization of deferred gain	(638)	(447)
Loss on disposal of fixed assets	15	1,327
Impairment of long-lived asset	—	589
Equity in earnings of joint venture	(4,713)	(2,323)
Dividends from joint venture	1,112	715
Deferred tax provision	750	1,498
Share-based compensation expense	1,757	2,515
Excess tax benefits from share-based payment arrangements	(2,752)	(148)
Increase (decrease) from changes, net of acquisitions, in:		
Accounts receivable	(49,633)	(25,153)
Inventories	(29,441)	(43,611)
Other current assets	2,328	2,762
Other assets	1,386	2,035
Prepaid pension costs	(1,036)	49
Accounts payable	53,916	5,741
Accrued liabilities	(4,695)	2,454
Income taxes payable	(5,192)	(1,861)
Postretirement benefit obligations and other liabilities	(1,622)	626
Net cash used in operating activities	(1,515)	(11,162)
Investing activities:		
Cash paid for acquisition, net of cash acquired	(26,812)	—
Capital expenditures	(11,262)	(8,371)
Proceeds from sale of fixed assets	29	23
Net cash used in investing activities	(38,045)	(8,348)
Financing activities:		
Short-term borrowings (repayments), net	17,344	(39,560)
Proceeds from issuance of long-term debt	32,288	—
Repayments of long-term debt	(279)	(28,899)
Payment of debt issuance fees	(424)	(21)
Preferred stock dividends	—	(345)
Common stock dividends	(2,684)	(2,056)
Excess tax benefits from share-based payment arrangements	2,752	148
Net proceeds from issuance of common stock	—	93,196
Payment of withholding taxes from share-based incentive issuance	(6,000)	—
Exercise of stock options and other	523	210
Net cash from financing activities	43,520	22,673
Effect of exchange rate changes on cash and cash equivalents	(798)	375
Net increase in cash and cash equivalents	3,162	3,538
Cash and cash equivalents — beginning of year	22,970	9,526
Cash and cash equivalents — end of period	\$ 26,132	\$ 13,064

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

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

**(1) Condensed Consolidated Financial Statements**

The condensed consolidated financial statements included herein have been prepared by A.M. Castle & Co. and subsidiaries (the “Company”), without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). The Condensed Consolidated Balance Sheet at December 31, 2007 is derived from the audited financial statements at that date. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to the rules and regulations of the SEC. In the opinion of management, the unaudited statements, included herein, contain all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of financial results for the interim periods. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s latest Annual Report on Form 10-K. The 2008 interim results reported herein may not necessarily be indicative of the results of the Company’s operations for the full year.

Non-cash investing activities for the six months ended June 30, 2008 related primarily to the acquisition of Metals U.K. Group and consisted of \$1,997 of stock consideration currently probable of being paid, but not yet paid. The Company had non-cash investing activities for the six months ended June 30, 2008 consisting of \$198, which represented capital expenditures in accounts payable.

**(2) New Accounting Standards***Standards Adopted*

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS 157”) and in February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”). SFAS 157 was issued to eliminate the diversity in practice that exists due to the different definitions of fair value and the limited guidance in applying these definitions. SFAS 157 encourages entities to combine fair value information disclosed under SFAS 157 with other accounting pronouncements, including SFAS No. 107, “Disclosures about Fair Value of Financial Instruments”, where applicable. Additionally, SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions.

Effective January 1, 2008, the Company adopted SFAS 157 and SFAS 159. In February 2008, the FASB issued FASB Staff Position Nos. FAS 157-1 and FAS 157-2 (“FSP 157-1” and “FSP 157-2”). FSP 157-1 excludes SFAS No. 13, “Accounting for Leases”, as well as other accounting pronouncements that address fair value measurements for leases, from the scope of SFAS No. 157. FSP 157-2 delays the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) until fiscal years beginning after November 15, 2008.

The Company did not elect the fair value option for any assets or liabilities. The adoption of SFAS 157 and SFAS 159 did not materially affect the Company’s consolidated financial results of operations, cash flows or financial position.

*Standards Issued Not Yet Adopted*

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In December 2007, the FASB issued SFAS No. 141R, “Business Combinations” (“SFAS 141R”). SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following currently existing generally accepted accounting principles until January 1, 2009. The Company is still evaluating the expected impact that SFAS 141R may have on the Company’s consolidated financial statements when effective.

In December 2007, the FASB issued SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements—an amendment of ARB No. 51” (“SFAS 160”). SFAS 160 requires that accounting and reporting for minority interests be re-characterized as non-controlling interests and classified as a component of equity. SFAS 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS 160 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. This statement is effective as of the beginning of an entity’s first fiscal year beginning after December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS 160 on the Company’s financial condition, results of operations and cash flows.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (“SFAS 162”). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). The previous U.S. GAAP hierarchy existed within the American Institute of Certified Public Accountants’ statements on auditing standards, which are directed to the auditor rather than the reporting entity. SFAS 162 moves the U.S. GAAP hierarchy to the accounting literature, thereby directing it to reporting entities which are responsible for selecting accounting principles for financial statements that are presented in conformity with U.S. GAAP. The Company will adopt SFAS 162 when it becomes effective which is 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.” The Company does not expect the adoption of this standard to have a material impact on the Company’s financial condition, results of operations and cash flows.

In May 2008, the FASB issued FASB Staff Position (“FSP”) SFAS 142-3, “Determination of the Useful Life of Intangible Assets” (“FSP SFAS 142-3”). FSP SFAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”). This FSP is intended to improve the consistency between the useful life of an intangible asset determined under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R and other U.S. GAAP. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008. It is expected that FSP SFAS 142-3 will have an impact on the Company’s consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions the Company consummates after the effective date.

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**(3) Acquisitions***Acquisition of Metals U.K. Group*

On January 3, 2008, the Company acquired 100 percent of the outstanding capital stock of Metals U.K. Group (“Metals U.K.” or the “Acquisition”). The Acquisition was accounted for using the purchase method in accordance with SFAS No. 141, “Business Combinations.” Accordingly, the Company recorded the net assets at their estimated fair values.

Metals U.K. is a distributor and processor of specialty metals primarily serving the oil and gas, aerospace, petrochemical and power generation markets worldwide. Metals U.K. has four processing facilities; two in Blackburn, England, one in Hoddesdon (North East of London) and one in Bilbao, Spain. The acquisition of Metals U.K. is expected to allow the Company to expand its global reach and service potential high growth industries.

The aggregate purchase price was approximately \$29,648, or \$28,809, net of cash acquired, and represents the aggregate cash purchase price, contingent consideration currently probable of payment, debt paid off at closing, and direct transaction costs. There is also the potential for additional purchase price of up to \$12,000 based on the achievement of performance targets related to fiscal year 2008. The premium paid in excess of the fair value of the net assets acquired was primarily for the ability to expand the Company’s global reach, as well as to obtain Metals U.K.’s skilled, established workforce.

In conjunction with the Acquisition, the Company amended its existing revolving line of credit, expanding it to \$230,000, which includes a \$50,000 multi-currency facility to fund the Acquisition and provide for future working capital needs of its European operations (see Note 5). The multi-currency facility allows for funding in either British Pounds or Euros to reduce the impact of foreign exchange rate volatility.

The following allocation of the purchase price is preliminary:

**Preliminary Purchase Price Allocation**

Current assets	\$ 25,903
Property, plant and equipment, net	3,876
Trade name	516
Customer relationships — contractual	893
Customer relationships — non-contractual	2,421
Non-compete agreements	1,705
Goodwill	<u>12,359</u>
Total assets	47,673
Current liabilities	<u>13,726</u>
Long-term liabilities	<u>4,299</u>
Total liabilities	18,025
Net assets	<u><u>\$ 29,648</u></u>

The final purchase price allocation is subject to adjustment upon the finalization of items such as the determination of fair value of certain tangible assets and liabilities, the valuation of deferred taxes and the determination of contingent consideration earned, if any. Any adjustments made to the purchase price in subsequent periods will impact the final allocation of purchase price to the acquired assets and liabilities.

The acquired intangible assets have a weighted average useful life of approximately 4.4 years. Useful lives by intangible asset category are as follows: trade name — 1 year, customer relationships — contractual — 10 years, customer relationships — non-contractual — 4 years and non-compete agreements — 3 years. The goodwill and intangible assets acquired are not deductible for tax purposes.

Pro forma financial information as if the Acquisition had been completed as of the beginning of the three and six months ended June 30, 2007 has not been presented because the Acquisition was not deemed to be a material business combination in accordance with SFAS No. 141.

#### *Acquisition of Transtar Intermediate Holdings #2, Inc. (“Transtar”)*

As discussed in Note 8 to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007, the final purchase price for the acquisition of Transtar is subject to a working capital adjustment. The final determination and agreement on the adjustment was not completed as of June 30, 2008, but the Company is pursuing a conclusion, the result of which is not expected to be material to the purchase price. The purchase price adjustment will impact the final allocation of purchase price to the acquired assets and liabilities.

#### **(4) Earnings Per Share**

The Company determined earnings per share in accordance with SFAS No. 128, “Earnings Per Share” (“SFAS 128”). For the period through the conversion of the preferred stock in connection with the secondary offering in May 2007, the Company’s preferred stockholders participated in dividends paid on the Company’s common stock on an “if converted” basis. In accordance with Emerging Issues Task Force Issue No. 03-6, “Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings per Share”, basic earnings per share is computed by applying the two-class method to compute earnings per share. The two-class method is an earnings allocation method under which earnings per share is calculated for each class of common stock and participating security considering both dividends declared and participation rights in undistributed earnings as if all such earnings had been distributed during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of shares of common stock plus common stock equivalents. Common stock equivalents consist of stock options, restricted stock awards, convertible preferred stock shares and other share-based payment awards, which have been included in the calculation of weighted average shares outstanding using the treasury stock method. The following table is a reconciliation of the basic and diluted earnings per share calculations for the three and six months ended June 30, 2008 and 2007:

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
<b>Numerator:</b>				
Net income	\$11,251	\$16,362	\$25,065	\$32,197
Preferred dividends distributed	—	(350)	—	(593)
Undistributed earnings	<u>\$11,251</u>	<u>\$16,012</u>	<u>\$25,065</u>	<u>\$31,604</u>
<b>Undistributed earnings attributable to:</b>				
Common stockholders	\$11,251	\$15,392	\$25,065	\$29,730
Preferred stockholders, as if converted	—	620	—	1,874
Total undistributed earnings	<u>\$11,251</u>	<u>\$16,012</u>	<u>\$25,065</u>	<u>\$31,604</u>
<b>Denominator:</b>				
<b>Denominator for basic earnings per share:</b>				
Weighted average common shares outstanding	22,621	18,985	22,408	18,016
<b>Effect of dilutive securities:</b>				
Outstanding employee and directors' common stock options, restricted stock and share-based awards	155	780	82	786
Convertible preferred stock	—	1,196	—	1,495
Denominator for diluted earnings per share	<u>22,776</u>	<u>20,961</u>	<u>22,490</u>	<u>20,277</u>
Basic earnings per share	<u>\$ 0.50</u>	<u>\$ 0.81</u>	<u>\$ 1.12</u>	<u>\$ 1.65</u>
Diluted earnings per share	<u>\$ 0.49</u>	<u>\$ 0.78</u>	<u>\$ 1.11</u>	<u>\$ 1.59</u>
Outstanding common stock options and convertible preferred stock shares having an anti-dilutive effect	20	—	20	—

**(5) Debt**

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

	June 30, 2008	December 31, 2007
<b>SHORT-TERM DEBT</b>		
U.S. Revolver A	\$ 17,500	\$ 4,300
Mexico	3,000	—
Other foreign	1,407	2,312
Trade acceptances	14,471	12,127
Total short-term debt	36,378	18,739
<b>LONG-TERM DEBT</b>		
6.76% insurance company loan due in scheduled installments from 2008 through 2015	63,228	63,228
U.S. Revolver B	32,712	—
Industrial development revenue bonds at a 3.91% weighted average rate, due in varying amounts through 2009	3,600	3,600
Other, primarily capital leases	2,597	921
Total long-term debt	102,137	67,749
Less current portion	(7,416)	(7,037)
Total long-term portion	94,721	60,712
<b>TOTAL SHORT-TERM AND LONG-TERM DEBT</b>	<b>\$138,515</b>	<b>\$86,488</b>

On January 2, 2008, the Company and its Canadian, U.K. and material domestic subsidiaries entered into a First Amendment to its Amended and Restated Credit Agreement dated as of September 5, 2006 with its lending syndicate. The amended senior credit facility provides a \$230,000 five-year secured revolver. The facility consists of (i) a \$170,000 revolving “A” loan (the “U.S. Revolver A”) to be drawn by the Company from time to time, (ii) a \$50,000 multicurrency revolving “B” loan (the “U.S. Revolver B” and with the U.S. Revolver A, the “U.S. Facility”) to be drawn by the Company or its U.K. subsidiary from time to time, and (iii) a Cdn. \$9,800 revolving loan (corresponding to \$10,000 in U.S. dollars as of the amendment closing date) (the “Canadian Facility”) to be drawn by the Canadian subsidiary from time to time. In addition, the maturity date of the amended senior credit facility was extended to January 2, 2013. The obligations of the U.K. subsidiary under the U.S. Revolver B are guaranteed by the Company and its material domestic subsidiaries (the “Guarantee Subsidiaries”) pursuant to an agreement entered into by the Company and the Guarantee Subsidiaries on January 2, 2008 (the “U.K. Guarantee Agreement”). The U.S. Revolver A letter of credit sub-facility was increased from \$15,000 to \$20,000. The Company’s U.K. subsidiary drew £14,900 (or \$29,600) of the amount available under the U.S. Revolver B to finance the acquisition of Metals U.K. on January 3, 2008 (see Note 3).

Depending on the type of borrowing selected by the Company, the applicable interest rate for loans under the U.S. Facility is calculated as a per annum rate equal to (i) LIBOR plus a variable margin or (ii) “Base Rate”, which is the greater of the U.S. prime rate or the federal funds effective rate plus 0.5%, plus a variable margin. The margin on LIBOR or Base Rate loans may fall or rise as set forth in the Amended and Restated Credit Agreement depending on the Company’s debt-to-capital ratio as calculated on a quarterly basis.

Also, on January 2, 2008, the Company and its material domestic subsidiaries entered into an Amendment No. 2 with its insurance company and affiliate to amend the covenants on the 6.76% insurance company loan so as to be substantially the same as the amended senior credit facility.

As of June 30, 2008, the Company had outstanding borrowings under its U.S. Revolver A of \$17,500 and availability of \$142,204. Outstanding borrowings under the U.S. Revolver B were \$32,712 and availability was \$17,288 as of June 30, 2008. The Company's Canadian subsidiary had no outstanding borrowings under the Canadian Facility and had availability of \$10,000. The weighted average interest rate for borrowings under the U.S. Revolver A and U.S. Revolver B as of June 30, 2008 was 5.33% and 6.49%, respectively.

As of June 30, 2008, the Company remains in compliance with the covenants of its financial agreements, which require it to maintain certain funded debt-to-capital ratios, working capital-to-debt ratios and a minimum adjusted consolidated net worth as defined within the agreements.

## **(6) Segment Reporting**

The Company distributes and performs processing on both metals and plastics. Although the distribution processes are similar, different customer markets, supplier bases and types of products exist. Additionally, the Company's Chief Executive Officer, the chief operating decision-maker, reviews and manages these two businesses separately. As such, these businesses are considered reportable segments in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" and are reported accordingly.

In its Metals segment, the Company's marketing strategy focuses on distributing highly engineered specialty grades and alloys of metals as well as providing specialized processing services designed to meet very tight specifications. Core products include nickel alloys, aluminum, stainless steels and carbon. Inventories of these products assume many forms such as plate, sheet, round bar, hexagon bar, square and flat bar, tubing and coil. Depending on the size of the facility and the nature of the markets it serves, service centers are equipped as needed with bar saws, plate saws, oxygen and plasma arc flame cutting machinery, water-jet cutting, stress relieving and annealing furnaces, surface grinding equipment and sheet shearing equipment. This segment also performs various specialized fabrications for its customers through pre-qualified subcontractors that thermally process, turn, polish and straighten alloy and carbon bar.

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

The accounting policies of all segments are the same as described in Note 1 "Basis of Presentation and Significant Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. Management evaluates the performance of its business segments based on operating income. The Metals segment includes the operating results of Metals U.K. for the three and six months ended June 30, 2008.

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Segment information for the three months ended June 30, 2008 and 2007 is as follows:

	Net Sales	Operating Income	Capital Expenditures	Depreciation & Amortization
<b>2008</b>				
Metals segment	\$365,400	\$19,570	\$ 5,380	\$ 5,749
Plastics segment	31,715	1,096	505	318
Other	—	(3,073)	—	—
Consolidated	<u>\$397,115</u>	<u>\$17,593</u>	<u>\$ 5,885</u>	<u>\$ 6,067</u>
<b>2007</b>				
Metals segment	\$343,324	\$29,395	\$ 5,579	\$ 4,682
Plastics segment	29,284	1,706	613	295
Other	—	(1,973)	—	—
Consolidated	<u>\$372,608</u>	<u>\$29,128</u>	<u>\$ 6,192</u>	<u>\$ 4,977</u>

“Other” — Operating loss includes the costs of executive, legal and finance departments, which are shared by both the Metals and Plastics segments.

Segment information for the six months ended June 30, 2008 and 2007 is as follows:

	Net Sales	Operating Income	Capital Expenditures	Depreciation & Amortization
<b>2008</b>				
Metals segment	\$727,666	\$42,872	\$10,246	\$11,257
Plastics segment	62,928	2,714	1,016	621
Other	—	(5,676)	—	—
Consolidated	<u>\$790,594</u>	<u>\$39,910</u>	<u>\$11,262</u>	<u>\$11,878</u>
<b>2007</b>				
Metals segment	\$689,916	\$59,725	\$ 7,324	\$ 9,272
Plastics segment	58,043	3,211	1,047	601
Other	—	(4,767)	—	—
Consolidated	<u>\$747,959</u>	<u>\$58,169</u>	<u>\$ 8,371</u>	<u>\$ 9,873</u>

“Other” — Operating loss includes the costs of executive, legal and finance departments, which are shared by both the Metals and Plastics segments.

Segment information for total assets is as follows:

	June 30, 2008	December 31, 2007
Metals segment	\$740,779	\$607,993
Plastics segment	55,487	51,592
Other	21,050	17,419
Consolidated	<u>\$817,316</u>	<u>\$677,004</u>

“Other” — Total assets consist of the Company’s investment in joint venture.

**(7) Goodwill and Intangible Assets***Acquisition of Metals U.K.*

As discussed in Note 3, the Company acquired the outstanding capital stock of Metals U.K. on January 3, 2008. Metals U.K.'s results and assets are included in the Company's Metals segment from the date of acquisition.

The changes in carrying amounts of goodwill during the six months ended June 30, 2008 were as follows:

	<b>Metals Segment</b>	<b>Plastics Segment</b>	<b>Total</b>
Balance as of December 31, 2007	\$ 88,567	\$12,973	\$101,540
Acquisition of Metals U.K.	12,359	—	12,359
Currency valuation	(52)	—	(52)
Balance as of June 30, 2008	<u>\$100,874</u>	<u>\$12,973</u>	<u>\$113,847</u>

The Company performs an annual impairment test on goodwill during the first quarter of each fiscal year. Based on the test performed during the first quarter of 2008, the Company determined that there is no impairment of goodwill.

The following summarizes the components of intangible assets:

	<b>June 30, 2008</b>		<b>December 31, 2007</b>	
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>
Customer relationships	\$70,181	\$11,527	\$66,867	\$8,131
Non-compete agreements	3,262	1,235	1,557	691
Trade name	516	258	—	—
Total	<u>\$73,959</u>	<u>\$13,020</u>	<u>\$68,424</u>	<u>\$8,822</u>

The weighted-average amortization period for the intangible assets is 10.3 years, 10.7 years for customer relationships, 3 years for non-compete agreements and 1 year for trade name. Substantially all of the Company's intangible assets were acquired as part of the acquisitions of Transtar on September 5, 2006 and Metals U.K. on January 3, 2008. For the three months ended June 30, 2008 and 2007, amortization expense was \$2,099 and \$1,609, respectively. For the six months ended June 30, 2008 and 2007, amortization expense was \$4,198 and \$3,288, respectively.

The following is a summary of the estimated annual amortization expense for each of the next 5 years:

2008	\$8,388
2009	7,699
2010	7,349
2011	6,770
2012	6,161

**(8) Inventories**

Over 80 percent of the Company's inventories are stated at the lower of last-in, first-out ("LIFO") cost or market. Final inventory determination under the LIFO method can only be made at the end of each fiscal year based on the actual inventory levels and costs at that time. Interim LIFO determinations, including those at June 30, 2008, are based on management's estimates of future inventory levels and costs.

Current replacement cost of inventories exceeded book value by \$174,912 and \$142,118 at June 30, 2008 and December 31, 2007, respectively.

**(9) Share-based Compensation**

The Company accounts for its share-based compensation programs by recognizing compensation expense for the fair value of the share awards granted ratably over their vesting period in accordance with SFAS No. 123R, "Share-Based Payment." The compensation cost that has been charged against income for the Company's share-based compensation arrangements was \$926 and \$1,061 for the three months ended June 30, 2008 and 2007, respectively and \$1,757 and \$2,515 for the six months ended June 30, 2008 and 2007, respectively. The total income tax benefit recognized in the condensed consolidated statements of operations for share-based compensation arrangements was \$361 and \$390 for the three months ended June 30, 2008 and 2007, respectively, and \$685 and \$752 for the six months ended June 30, 2008 and 2007, respectively. All compensation expense related to share-based compensation plans is recorded in sales, general and administrative expense. The unrecognized compensation cost as of June 30, 2008 associated with all share-based payment arrangements is \$6,249 and the weighted average period over which it is to be expensed is 1.8 years.

*Restricted Stock, Stock Option and Equity Compensation Plans* - The Company maintains certain long-term stock incentive and stock option plans for the benefit of officers, directors and key management employees. During the first quarter of 2008, the Company established the 2008 Restricted Stock, Stock Option and Equity Compensation Plan, which authorized up to 2,000,000 shares to be issued under the plan.

Beginning in 2006, the Company began to utilize restricted stock to compensate non-employee directors and non-vested shares issued under the Long-Term Incentive Performance ("LTIP") Plans as its long-term incentive compensation method for executives and other key employees. Stock options may be granted in the future under certain circumstances when deemed appropriate by management and the Board of Directors.

The Company's stock options have been granted with an exercise price equal to the market price of the Company's stock on the date of the grant and have a contractual life of 10 years. Options and restricted stock grants generally vest in one to five years for executive and employee option grants and one year for options and restricted stock grants granted to directors. The Company generally issues new shares upon share option exercise. A summary of the stock option activity under the Company's share-based compensation plans is shown below:

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	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2008	284,120	\$11.68
Granted	—	—
Forfeited	—	—
Exercised	<u>(35,666)</u>	\$14.66
Outstanding at June 30, 2008	248,454	\$11.18
Vested or expected to vest as of June 30, 2008	<u>248,454</u>	

As of June 30, 2008, all of the options outstanding were exercisable and had a weighted average remaining contractual life of 4.9 years. The total intrinsic value of options outstanding at June 30, 2008 is \$4,213. There was no unrecognized compensation cost related to stock option compensation arrangements.

A summary of the restricted stock activity is as follows:

Restricted Stock	Shares	Weighted- Average Grant Date Fair Value
Non-vested shares outstanding at January 1, 2008	52,714	\$28.51
Granted	26,178	\$26.34
Forfeited	(4,500)	\$25.87
Vested	<u>(13,014)</u>	\$34.58
Non-vested shares outstanding at June 30, 2008	<u>61,378</u>	\$26.49

*Deferred Compensation Plan* - The Company maintains a Board of Director's Deferred Compensation Plan for Directors who are not officers of the Company. Under this plan, Directors have the option to defer payment of their retainer and meeting fees into either a stock equivalent unit account or an interest account. Disbursement of the interest account and the stock equivalent unit account can be made only upon a Director's resignation, retirement or death, and is generally made in cash, but the stock equivalent unit account disbursement may be made in common shares at the Director's option. Fees deferred into the stock equivalent unit account are a form of share-based payment and represent a liability award which is re-measured at fair value at each reporting date. As of June 30, 2008, an aggregate 24,377 common share equivalent units are included in the Director stock equivalent unit accounts.

*Long-Term Incentive Performance Plans* - The Company maintains the 2005 Performance Stock Equity Plan (the "2005 Plan"), the 2007 Long-Term Incentive Plan (the "2007 Plan") and the 2008 Long-Term Incentive Plan (the "2008 Plan") (collectively referred to as the "LTIP Plans"). Under the LTIP Plans, selected executives and other key employees are eligible to receive share-based awards. Final award vesting and distribution of awards granted under the LTIP Plans are determined based on the Company's actual performance versus the target goals for a three-year consecutive period (as defined in the 2005, 2007 and 2008 Plans, respectively). Partial awards can be earned for performance less than the target goal, but in excess of minimum goals; and award distributions twice the target can be achieved if the maximum goals are met or exceeded. The performance goals are three-year cumulative net income and average return on total capital for the same three year period. Unless covered by a specific change-in-control or severance arrangement, individuals to whom performance shares have been granted under the LTIP Plans must be employed by the Company at the end of the performance period or the award will be forfeited, unless the termination of employment was due to death, disability or retirement. Compensation expense recognized is based on management's expectation of future performance compared to the pre-established performance goals. If the performance goals are not met, no

compensation expense would be recognized and any previously recognized compensation expense would be reversed.

*2005 Plan* - Based on the actual results of the Company for the three-year period ended December 31, 2007, the maximum number of shares (724,268) was earned under the 2005 Plan. During the first quarter of 2008, 483,494 shares were issued to participants at a market price of \$25.13 per share. The remaining 240,774 shares were withheld to fund required withholding taxes. The excess tax benefit recorded to additional paid in capital as a result of the share issuance was \$2,665.

*2007 Plan* - The fair value of the awards granted under the 2007 Plan ranged from \$25.45 to \$34.33 per share and was established using the market price of the Company's stock on the dates of grant. As of June 30, 2008, based on its projections, the Company estimates that 74,853 shares will be issued. The maximum number of shares that could potentially be issued under the 2007 Plan is 227,566. The shares associated with the 2007 Plan will be distributed in 2010, contingent upon the Company meeting performance goals over the three-year period ending December 31, 2009.

*2008 Plan* - The fair value of the awards granted under the 2008 Plan was \$22.90 per share and was established using the market price of the Company's stock on the date of grant. As of June 30, 2008, based on its projections, the Company estimates that 216,439 shares will be issued. The maximum number of shares that could potentially be issued under the 2008 Plan is 443,500. The shares associated with the 2008 Plan will be distributed in 2011, contingent upon the Company meeting performance goals over the three-year period ending December 31, 2010.

### (10) Comprehensive Income

Comprehensive income includes net income and all other non-owner changes to equity that are not reported in net income. The Company's comprehensive income for the three months ended June 30, 2008 and 2007 is as follows :

	June 30,	
	2008	2007
Net income	\$11,251	\$16,362
Foreign currency translation gain	309	2,574
Pension cost amortization, net of tax	58	476
Total comprehensive income	<u>\$11,618</u>	<u>\$19,412</u>

The Company's comprehensive income for the six months ended June 30, 2008 and 2007 is as follows :

	June 30,	
	2008	2007
Net income	\$25,065	\$32,197
Foreign currency translation gain (loss)	(803)	2,694
Pension cost amortization, net of tax	1,165	965
Total comprehensive income	<u>\$25,427</u>	<u>\$35,856</u>

The components of accumulated other comprehensive income is as follows:

	June 30, 2008	December 31, 2007
Foreign currency translation gains	\$ 7,034	\$ 7,837
Unrecognized pension and postretirement benefit costs, net of tax	(5,174)	(6,339)
<b>Total accumulated other comprehensive income</b>	<b>\$ 1,860</b>	<b>\$ 1,498</b>

### (11) Pension and Postretirement Plans

Effective July 1, 2008, the Company-sponsored pension plans and supplemental pension plan (collectively, the “pension plans”) were frozen. During December 2007, certain of the pension plans were amended and as a result, a curtailment charge of \$284 was recognized in 2007. During March 2008, the supplemental pension plan was amended and as a result, a curtailment gain of \$472 was recognized during the three months ended March 31, 2008. As a result of the decision to freeze the pension plans, the Company decided to modify its investment portfolio target allocation for the plan funds. The revised investment target portfolio allocation will focus primarily on corporate fixed income securities that match the overall duration and term of the Company’s pension liability structure. The Company’s decision to change the investment portfolio target allocation could impact the expected long-term rate of return and the Company’s future net periodic pension cost.

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

	For the Three Months Ended June 30,	
	2008	2007
Service cost	\$ 529	\$ 935
Interest cost	1,826	1,911
Expected return on assets	(2,781)	(2,520)
Amortization of prior service cost	26	26
Amortization of actuarial loss	83	787
Net periodic pension and postretirement (benefit) cost	<u>\$ (317)</u>	<u>\$ 1,139</u>

  

	For the Six Months Ended June 30,	
	2008	2007
Service cost	\$ 1,058	\$ 1,869
Interest cost	3,653	3,822
Expected return on assets	(5,562)	(5,040)
Amortization of prior service cost	52	53
Amortization of actuarial loss	166	1,574
Net periodic pension and postretirement (benefit) cost, excluding impact of curtailment	<u>\$ (633)</u>	<u>\$ 2,278</u>

As of June 30, 2008, the Company had not made any cash contributions to its pension plans for this fiscal year and does not anticipate making any contributions in 2008.

**(12) Commitments and Contingent Liabilities**

At June 30, 2008, the Company had \$7,296 of irrevocable letters of credit outstanding which primarily consisted of \$3,600 in support of the outstanding industrial development revenue bonds and \$2,100 for compliance with the insurance reserve requirements of its workers' compensation insurance carrier (see Note 5).

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

**(13) Income Taxes**

The following table shows the net change in the Company's unrecognized tax benefits:

Balance as of December 31, 2007	\$ 1,754
Increases (decreases) in unrecognized tax benefits:	
Due to tax positions taken during prior years	65
Due to tax positions taken during the current year	130
Balance as of June 30, 2008	<u>\$ 1,949</u>

As of June 30, 2008, the Company has a \$1,949 liability recorded for unrecognized tax benefits of which \$788 would impact the effective tax rate if recognized. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of tax expense.

The Company and its subsidiaries file income tax returns in the U.S., 28 states and seven foreign jurisdictions. The 2005 and 2006 U.S. federal income tax returns and Canadian income tax returns for 2002 through 2004 are currently under audit. The Company anticipates that both audits should be completed prior to year end. To date, several adjustments have been proposed and the Company is evaluating the appropriateness of these potential adjustments. Due to the potential for resolution of the examinations, it is reasonably possible that the Company's gross unrecognized tax benefits may change within the next 12 months by a range of zero to \$1,280.

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

*This section may contain statements that constitute "forward-looking statements" pursuant to the Safe Harbor provision of the Private Securities Litigation Reform Act of 1995. These statements are identified by words such as "anticipate", "believe", "estimate", "expect", "intend", "predict", or "project" and similar expressions. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties that could cause actual results to differ materially from those presented. In addition, certain risk factors identified in ITEM 1A of the Company's Annual Report on Form 10-K may affect the Company's businesses. As a result, past financial results may not be a reliable indicator of future performance.*

*The following discussion should be read in conjunction with the Company's condensed consolidated financial statements and related notes thereto in ITEM 1 "Condensed Consolidated Financial Statements (unaudited)".*

**Financial Review**

This discussion should be read in conjunction with the information contained in the Condensed Consolidated Financial Statements and Notes.

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**Executive Overview*****Economic Trends and Current Business Conditions***

A. M. Castle & Co. and subsidiaries (the “Company”) continued to experience solid demand for its products in its key end-market segments during the second quarter of 2008. In addition to solid volume trends, higher material prices for certain products contributed to favorable revenue growth compared to the second quarter of last year. Within the Metals segment, overall end-market demand for plate, oil and gas products and core products (primarily bar and tubing products) was strong with total sales volume over 9% (excluding Metals U.K.) higher than the prior year period.

Profit margins for the second quarter of 2008 in the Metals segment were lower than the prior year primarily due to changes in sales mix and higher cost of materials mentioned above, with particular price escalations experienced in carbon products during the second quarter of 2008.

The Company’s Plastics segment reported 8.2% sales growth compared to the second quarter of 2007 driven by healthy demand in key end-markets such as industrial and office furniture markets.

Management uses the Purchaser’s Managers Index (“PMI”) provided by the Institute of Supply Management (website is [www.ism.ws](http://www.ism.ws)) as an external indicator for tracking the demand outlook and possible trends in its general manufacturing markets. The table below shows PMI trends from the first quarter of 2006 through the second quarter of 2008. Generally speaking, it is considered that an index above 50.0 indicates continuing growth in the manufacturing sector of the U.S. economy. As the data indicates, the index experienced a slight increase from the first quarter of 2008.

<b>YEAR</b>	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Qtr 4</b>
2006	54.7	54.1	52.9	50.8
2007	50.5	53.0	51.3	49.6
2008	49.2	49.5		

A favorable PMI trend suggests that demand for some of the Company’s products and services, in particular those that are sold to the general manufacturing customer base in the U.S., could potentially be at a higher level in the near-term. Although the PMI does offer some insight, management also relies on its relationships with the Company’s supplier and customer base to assess continuing demand trends. As of June 30, 2008, these other indicators generally point to a reasonably healthy demand for the Company’s specialty products in 2008. In particular, products utilized in the oil and gas, heavy equipment and certain plastic related industries exhibited strong levels of demand in the second quarter of 2008 and management believes these industries will remain strong during the next few months. The long-term outlook on demand for the Company’s end-markets is less predictable. However, the Company expanded its international presence with the recent acquisition of Metals U.K. in early 2008 and with the early second quarter 2008 start-up of its Shanghai, China service center. As the Company continues to expand internationally, it becomes less reliant upon the North American general manufacturing economy.

Material pricing and demand in both the Metals and Plastics segments of the Company’s business have historically proven to be difficult to predict with any degree of accuracy. However, two of the areas of the U.S. economy which are currently experiencing significant decline, the automotive and residential construction markets, are areas in which the Company’s market presence is minimal. The Company has also not seen any effect of the recent credit market squeeze resulting from the residential mortgage lending crisis in its demand for products and services or in its own credit or lending structure.

**Results of Operations: Second Quarter 2008 Comparisons to Second Quarter 2007**

Consolidated results by business segment are summarized in the following table for the quarters ended June 30, 2008 and 2007.

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	<i>(Amounts in millions)</i>		<i>Fav/(Unfav)</i>	
	<i>2008</i>	<i>2007</i>	<i>\$ Change</i>	<i>% Change</i>
<b>Net Sales</b>				
Metals	\$365.4	\$343.3	\$ 22.1	6.4%
Plastics	31.7	29.3	2.4	8.2%
Total Net Sales	\$397.1	\$372.6	\$ 24.5	6.6%
<b>Cost of Materials</b>				
Metals	\$275.2	\$250.7	\$ 24.5	(9.8)%
<i>% of Metals Sales</i>	<i>75.3 %</i>	<i>73.0 %</i>		<i>(2.3 )%</i>
Plastics	22.0	19.6	2.4	(12.2)%
<i>% of Plastics Sales</i>	<i>69.4 %</i>	<i>66.9 %</i>		<i>(2.5 )%</i>
Total Cost of Materials	\$297.2	\$270.3	\$ 26.9	(10.0)%
<i>% of Total Sales</i>	<i>74.8 %</i>	<i>72.5 %</i>		<i>(2.3 )%</i>
<b>Other Operating Costs and Expenses</b>				
Metals	\$ 70.6	\$ 63.2	\$ 7.4	(11.7)%
Plastics	8.6	8.0	0.6	(7.5)%
Other	3.1	2.0	1.1	(55.0)%
Total Other Operating Costs & Expenses	\$ 82.3	\$ 73.2	\$ 9.1	(12.4)%
<i>% of Total Sales</i>	<i>20.7 %</i>	<i>19.6 %</i>		<i>(1.1 )%</i>
<b>Operating Income</b>				
Metals	\$ 19.6	\$ 29.4	\$ (9.8)	(33.3)%
<i>% of Metals Sales</i>	<i>5.4 %</i>	<i>8.6 %</i>		<i>(3.2 )%</i>
Plastics	1.1	1.7	(0.6)	(35.3)%
<i>% of Plastics Sales</i>	<i>3.5 %</i>	<i>5.8 %</i>		<i>(2.3 )%</i>
Other	(3.1)	(2.0)	(1.1)	(55.0)%
Total Operating Income	\$ 17.6	\$ 29.1	\$(11.5)	(39.5)%
<i>% of Total Sales</i>	<i>4.4 %</i>	<i>7.8 %</i>		<i>(3.4 )%</i>

“Other” includes the costs of executive, legal and finance departments which are shared by both segments of the Company.

#### **Acquisition of Metals U.K. Group:**

On January 3, 2008, the Company acquired all of the issued and outstanding capital stock of Metals U.K. The results of Metals U.K.’s operations have been included in the consolidated financial statements since that date. These results of operations and the assets of Metals U.K. are included in the Company’s Metals segment. For more information regarding the acquisition of Metals U.K., refer to Note 3 to the condensed consolidated financial statements.

#### **Net Sales:**

Consolidated net sales for the Company in the second quarter 2008 were \$397.1 million, an increase of \$24.5 million, or 6.6%, compared to the second quarter of 2007. Metals segment sales during the second quarter of 2008 of \$365.4 million were \$22.1 million, or 6.4%, higher than last year. Tons sold per day for the Metals segment (excluding the impact of Metals U.K. acquired in January 2008) increased 9.3% compared to the second quarter of 2007.

The Metals segment sales volume increase during the second quarter of 2008 was primarily driven by strong growth in carbon and alloy plate and alloy bar sales. The increase in tons sold combined with increased pricing for certain products resulted in the favorable revenue comparison from the same period last year.

Plastics segment sales during the second quarter of 2008 of \$31.7 million were \$2.4 million, or 8.2% higher than the second quarter of 2007 primarily due to growth in the office furniture and industrial markets.

***Cost of Materials:***

Consolidated second quarter 2008 cost of materials (exclusive of depreciation and amortization) increased \$26.9 million, or 10.0%, to \$297.2 million. The increase in consolidated cost of materials is primarily driven by the results of the Metals segment. Within the Metals segment during the second quarter of 2008, material costs were 75.3% of sales as compared to 73.0% in the second quarter of 2007. Increased material costs as a percent of sales are partly the result of price increases announced and implemented throughout the marketplace during the second quarter, as well as changes in sales mix. The second quarter 2008 results included a LIFO inventory reserve charge of \$29.8 million compared to an \$18.6 million charge in the comparable prior year period.

***Other Operating Expenses and Operating Income:***

On a consolidated basis, other operating costs and expenses increased \$9.1 million, or 12.4%, compared to the second quarter of 2007. Other operating costs and expenses during the second quarter of 2008 were \$82.3 million, or 20.7% of sales compared to \$73.2 million, or 19.6% of sales last year. Excluding the Metals U.K. acquisition and Metal Express divestiture impacts, the second quarter operating expense increase was \$7.5 million, which was primarily related to \$4.5 million of higher warehouse, plant and transportation costs associated with higher sales volumes, as well as \$1.3 million of higher outside service costs for the Oracle ERP implementation and corporate legal costs.

Consolidated operating income for the second quarter of \$17.6 million was \$11.5 million, or 39.5% lower than the same quarter last year. The Company's second quarter 2008 operating profit margin (defined as operating income divided by net sales) decreased to 4.4% from 7.8% in the second quarter of 2007.

In addition to the cost of materials and other operating expense matters discussed above, the Company's second quarter 2008 operating results were impacted negatively by the effects of the April implementation of the Oracle ERP system at the Company's domestic aerospace locations. In the second quarter, the Company implemented the operations and financial functions of the Oracle ERP at its domestic aerospace locations, as well as a Company-wide implementation of the Oracle Human Resources systems. Although the implementation timetables were met, the Company experienced productivity and service level interruptions at its domestic aerospace locations during the second quarter. The system conversion impacts were most significant in April when the system change occurred, and service levels improved throughout May and June. Management estimates the potential impact on the second quarter 2008 financial results from the productivity and service level interruptions to be as much as \$10 million in sales and \$3 million in operating income. The Company continues to remediate any remaining system conversion issues and is focused on returning productivity and service metrics to historical levels by the end of the third quarter 2008.

***Other Income and Expense, Income Taxes and Net Income:***

Interest expense was \$2.2 million in the second quarter of 2008, a decrease of \$2.0 million versus the same period in 2007 as a result of reduced borrowings.

Income tax expense decreased to \$6.9 million from \$10.0 million in the second quarter of 2008 due to lower taxable earnings. The effective tax rate was 45.2% in the second quarter of 2008 and 40.0% during the same quarter of 2007. The effective tax rate is calculated as total tax expense (as presented in the Condensed Consolidated Statements of Operations) as a percentage of income before income taxes as presented in the

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Condensed Consolidated Statements of Operations. If calculated as a percentage of income before income taxes and *including* equity in earnings of joint venture, and including all tax expense, the effective tax rate would be 38.2% and 37.9% for the second quarter of 2008 and 2007, respectively.

Equity in earnings of the Company's joint venture, Kreher Steel, was \$2.8 million in the second quarter of 2008, \$1.4 million higher than the same period last year.

Consolidated net income was \$11.3 million, or \$0.49 per diluted share, in the second quarter of 2008 versus \$16.0 million, or \$0.78 per diluted share, for the same period in 2007. The May 2007 equity offering had a \$0.08 per share dilutive effect on earnings per share for the second quarter of 2008.

Weighted average diluted shares outstanding increased 8.7% to 22,776 for the quarter-ended June 30, 2008 as compared to 20,961 shares for the same period in 2007. The increase in average diluted shares outstanding is primarily due to the additional shares issued during the Company's secondary equity offering in May 2007.

### **Results of Operations: Six Months 2008 Comparisons to Six Months 2007**

Consolidated results by business segment are summarized in the following table for the six months ended June 30, 2008 and 2007.

	<i>(Amounts in millions)</i>		<i>Fav/(Unfav)</i>	
	<i>2008</i>	<i>2007</i>	<i>\$ Change</i>	<i>% Change</i>
<b>Net Sales</b>				
Metals	\$727.7	\$690.0	\$ 37.7	5.5%
Plastics	62.9	58.0	4.9	8.4%
Total Net Sales	\$790.6	\$748.0	\$ 42.6	5.7%
<b>Cost of Materials</b>				
Metals	\$545.5	\$500.7	\$ 44.8	(8.9)%
<i>% of Metals Sales</i>	<i>75.0 %</i>	<i>72.6 %</i>		<i>(2.4 )%</i>
Plastics	43.1	39.0	4.1	(10.5)%
<i>% of Plastics Sales</i>	<i>68.5 %</i>	<i>67.2 %</i>		<i>(1.3 )%</i>
Total Cost of Materials	\$588.6	\$539.7	\$ 48.9	(9.1)%
<i>% of Total Net Sales</i>	<i>74.4 %</i>	<i>72.2 %</i>		<i>(2.2 )%</i>
<b>Other Operating Costs and Expenses</b>				
Metals	\$139.3	\$129.5	\$ 9.8	(7.6)%
Plastics	17.1	15.8	1.3	(8.2)%
Other	5.7	4.8	0.9	(18.8)%
Total Other Operating Costs & Expense	\$162.1	\$150.1	\$ 12.0	(8.0)%
<i>% of Total Net Sales</i>	<i>20.5 %</i>	<i>20.1 %</i>		<i>(0.4 )%</i>
<b>Operating Income</b>				
Metals	\$ 42.9	\$ 59.8	\$(16.9)	(28.3)%
<i>% of Metals Sales</i>	<i>5.9 %</i>	<i>8.7 %</i>		<i>(2.8 )%</i>
Plastics	2.7	3.2	(0.5)	(15.6)%
<i>% of Plastics Sales</i>	<i>4.3 %</i>	<i>5.5 %</i>		<i>(1.2 )%</i>
Other	(5.7)	(4.8)	(0.9)	(18.8)%
Total Operating Income	\$ 39.9	\$ 58.2	\$(18.3)	(31.4)%
<i>% of Total Net Sales</i>	<i>5.0 %</i>	<i>7.8 %</i>		<i>(2.8 )%</i>

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

**Net Sales:**

Consolidated net sales for the Company in the first half of 2008 were \$790.6 million, an increase of \$42.6 million, or 5.7%, compared to the same period last year. Metals segment sales of \$727.7 million were \$37.7 million, or 5.5%, higher than the same period last year. Tons sold per day for the Metals segment (excluding the impact of Metals U.K. acquired in January 2008) increased by 5.2% compared to the same period last year.

The increase in Metals segment sales primarily resulted from strong growth in carbon and alloy plate and alloy bar sales, which included increases in tons sold as well as increased pricing for certain products.

Plastics segment sales of \$62.9 million were \$4.9 million higher than the same period last year.

**Cost of Materials:**

Consolidated first half 2008 cost of materials (exclusive of depreciation and amortization) increased \$48.9 million, or 9.1%, to \$588.6 million. Material costs for the Metals segment for the first six months of 2008 were 75.0% of sales as compared to 72.6% in 2007. Increased material costs as a percent of sales are partly the result of various metal price increases announced and implemented throughout the marketplace during the first half of 2008, as well as changes in the Company's sales mix.

**Other Operating Expenses and Operating Income:**

On a consolidated basis, year-to-date operating expenses increased \$12.0 million, or 8.0% compared to the same period last year. Other operating costs and expenses during the first half of 2008 were \$162.1 million, or 20.5% of sales compared to \$150.1 million, or 20.1% of sales last year. Excluding the Metals U.K. acquisition and the Metal Express divestiture impacts, the year-to-date operating expense increase was \$9.2 million. The \$9.2 million expense increase was primarily related to \$6.5 million of higher warehouse, plant and transportation costs associated with higher sales volumes as well as \$2.3 million for higher outside services for the Oracle ERP implementation and corporate legal costs.

Consolidated operating income for the six months ended June 30, 2008 of \$39.9 million was \$18.3 million, or 31.4% lower than the same period last year. The Company's year-to-date 2008 operating profit margin (defined as operating income divided by net sales) decreased to 5.0% from 7.8% for the same period of 2007, primarily due to the cost of materials, other operating expense matters discussed in the preceding paragraph and the impact of the Oracle ERP productivity and service level issues discussed earlier in this Form 10-Q.

**Other Income and Expense, Income Taxes and Net Income:**

Interest expense was \$4.3 million for the six months ended June 30, 2008, a decrease of \$4.2 million versus the same period in 2007 as a result of reduced borrowings.

Income tax expense decreased to \$15.3 million from \$19.9 million for the six months ended June 30, 2008 due to lower taxable earnings. The effective tax rate was 42.9% for the six months ended 2008 and 39.9% during the same period of 2007. The effective tax rate is calculated as total tax expense (as presented in the Condensed Consolidated Statements of Operations) as a percentage of income before income taxes as presented in the Condensed Consolidated Statements of Operations. If calculated as a percentage income before income taxes and *including* equity in earnings of joint venture, and including all tax expenses, the effective tax rate would be 37.9% and 38.2% for the year-to-date periods in 2008 and 2007, respectively.

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Equity in earnings of the Company's joint venture, Kreher Steel, was \$4.7 million for the six months ended 2008, \$2.4 million higher than the same period last year, reflecting the accretive impact of the joint venture's acquisition of a metal distribution company in April 2007.

Consolidated net income was \$25.1 million, or \$1.11 per diluted share, in the first half of 2008 versus \$31.6 million, or \$1.59 per diluted share, for the same period in 2007.

Weighted average diluted shares outstanding increased 10.9% to 22,490 for the six months ended June 30, 2008 as compared to 20,277 shares for the same period in 2007. The increase in average diluted shares outstanding is primarily due to the additional shares issued during the Company's secondary equity offering in May 2007.

#### **Accounting Policies:**

Effective January 1, 2008, the Company adopted SFAS No. 157, "Fair Value Measurement" ("SFAS 157") and SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). See Note 2 to the condensed consolidated financial statements for more information regarding the Company's adoption of the standards. There have been no changes in critical accounting policies from those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

#### **Liquidity and Capital Resources**

The Company's principal sources of liquidity are earnings from operations, management of working capital, and the \$230 million amended senior credit facility.

Cash used in operating activities for the first six months of 2008 was \$1.5 million. Receivable days outstanding were 46.5 days at the end of the second quarter of 2008 as compared to 45.9 days at the end of the fourth quarter of 2007. Average Inventory DSI (days sales in inventory) was 117 days for year-to-date June 2008 versus 132.4 days for year-to-date December 2007, reflecting stronger sales and management efforts to improve from 2007 levels.

In anticipation of the Metals U.K. acquisition, on January 2, 2008, the Company and its Canadian, U.K. and material domestic subsidiaries entered into a First Amendment to its Amended and Restated Credit Agreement dated as of September 5, 2006 with its lending syndicate. The facility consists of (i) a \$170 million revolving "A" loan (the "U.S. Revolver A") to be drawn by the Company from time to time, (ii) a \$50 million multicurrency revolving "B" loan (the "U.S. Revolver B" and with the U.S. Revolver A, the "U.S. Facility") to be drawn by the Company or its U.K. subsidiary from time to time, and (iii) a Cdn. \$9.8 million revolving loan (corresponding to \$10 million in U.S. dollars as of the amendment closing date) (the "Canadian Facility") to be drawn by the Company's Canadian subsidiary from time to time. The maturity date of the facility was extended to January 2, 2013. The obligations of the U.K. Subsidiary under the U.S. Revolver B are guaranteed by the Company and its material domestic subsidiaries. The U.S. Revolver A letter of credit sub-facility was increased from \$15 million to \$20 million. The Company's U.K. subsidiary drew £14.9 million (or approximately \$29.6 million) of the amount available under the U.S. Revolver B to finance the acquisition.

As of June 30, 2008, the Company had outstanding borrowings of \$17.5 million under its U.S. Revolver A and had availability of \$142.2 million. Outstanding borrowings under the U.S. Revolver B were \$32.7 million and availability was \$17.3 million. The Company's Canadian subsidiary had no outstanding borrowings under the Canadian Facility and availability of \$10 million at June 30, 2008.

The Company paid cash dividends to its shareholders of \$0.12 per common share, or \$2.7 million, for the six months ended June 30, 2008.

Capital expenditures through June 2008 were \$11.3 million, including approximately \$5.2 million for the Company's on-going ERP implementation. Total capital expenditures for the full year 2008, are expected to be

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approximately \$20 million.

The Company's principal payments on long-term debt, including the current portion of long-term debt, required over the next five years and thereafter are summarized below:

2008	\$ 7.0
2009	11.2
2010	7.9
2011	8.0
2012	8.2
2013 and beyond	59.9
Total debt	<u>\$ 102.1</u>

As of June 30, 2008, the Company remains in compliance with the covenants of its financial agreements, which require it to maintain certain funded debt-to-capital ratios, working capital-to-debt ratios and a minimum adjusted consolidated net worth as defined within the agreements.

Current business conditions lead management to believe that cash from operations along with funds available under our \$230 million credit facility will be sufficient to fund its working capital needs, capital expenditure programs and meet its debt obligations.

As of June 30, 2008, the Company had \$7.3 million of irrevocable letters of credit outstanding, which primarily consisted of \$3.8 million in support of the outstanding industrial revenue bonds and \$2.1 million for compliance with the insurance reserve requirements of its workers' compensation insurance carrier.

### **Item 3. Quantitative and Qualitative Disclosure about Market Risk**

The Company is exposed to interest rate, commodity price, and foreign exchange rate risks that arise in the normal course of business. There have been no significant or material changes to such risks since December 31, 2007. Refer to Item 7a in the Company's Annual Report on Form 10-K filed for the year ended December 31, 2007 for further discussion of such risks.

### **Item 4. Controls and Procedures**

#### **(a) Evaluation of Disclosure Controls and Procedures**

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

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

In its Annual Report on Form 10-K for the year ended December 31, 2007, the Company reported that, based upon management's review and evaluation, the Company's disclosure controls and procedures were effective as of December 31, 2007.

Based on our evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report, we have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Controls Over Financial Reporting

The Company is in the process of implementing the Oracle ERP system. The planning for this system implementation began in 2006, and the first scheduled phase of the implementation occurred in the second quarter 2008 at certain of the Company's domestic locations which primarily service the aerospace markets. The facilities included in the initial second quarter Oracle ERP system implementation represent less than 20% of the Company's consolidated net sales. During the second quarter of 2008, the majority of the legacy operating systems and financial systems of these locations were migrated to the Oracle ERP system. The Company also implemented the human resource functionality of the Oracle ERP system company-wide. This system conversion resulted in the modification of certain control procedures and processes to conform to the Oracle ERP system environment. The Company is continuing to evaluate the impact that the Oracle ERP system will have on certain of its internal controls and expects the new ERP system to enhance its control environment overall. The Company plans to continue to replace its legacy systems with Oracle ERP system functionality across many of its locations and business operations into fiscal 2009.

Except as described above, there were no significant changes in the Company's internal controls over financial reporting during the three months ended June 30, 2008 that were identified in connection with the evaluation referred to in paragraph (a) above that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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**Part II. OTHER INFORMATION****Item 4. Submission of Matters to a Vote of Security Holders**

At our Annual Meeting of Stockholders held on April 24, 2008 in Franklin Park, Illinois, our stockholders voted on the following matters:

Eleven directors: Brian P. Anderson, Thomas A. Donahoe, Ann M. Drake, Michael H. Goldberg, William K. Hall, Robert S. Hamada, Patrick J. Herbert III, Terrence J. Keating, Pamela Forbes Lieberman, John McCartney and Michael Simpson were elected to serve for a term of one year or until their successors have been elected and qualified, unless they resign or are removed from office earlier.

The votes cast were as follows.

Name of Nominee	Number of Votes For	Number of Votes Withheld	Number of Broker Non-Votes
Brian P. Anderson	20,507,533	464,757	—
Thomas A. Donahoe	20,666,810	305,480	—
Ann M. Drake	20,796,206	176,084	—
Goldberg, Michael H.	20,681,690	290,600	—
William K. Hall	19,108,499	1,863,791	—
Robert S. Hamada	20,644,077	328,213	—
Patrick J. Herbert III	20,033,144	939,146	—
Terrence J. Keating	20,674,860	297,430	—
Pamela Forbes Lieberman	20,622,193	350,097	—
John McCartney	20,879,134	93,156	—
Michael Simpson	20,644,273	328,017	—

The 2008 A. M. Castle Restricted Stock, Stock Option and Equity Compensation Plan was also approved.

Number of Votes For	Number of Votes Against	Number of Votes Abstained	Number of Broker Non-Votes
15,090,507	3,667,932	1,000,904	1,213,447

**Item 6. Exhibits**

Exhibit 10.1 Severance Agreement for Scott F. Stephens, dated July 24, 2008

Exhibit 10.2 Change in Control Agreement for Scott F. Stephens, dated July 24, 2008

Exhibit 31.1 Certification Pursuant to Section 302 by CEO

Exhibit 31.2 Certification Pursuant to Section 302 by CFO

Exhibit 32.1 Certification Pursuant to Section 906 by CEO & CFO

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SIGNATURES

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

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A. M. Castle & Co.

(Registrant)

Date: July 30, 2008

By: /s/ Patrick R. Anderson

Patrick R. Anderson

Vice President — Controller and Chief

Accounting Officer

(Mr. Anderson has been authorized to sign on behalf of the Registrant.)

SEVERANCE AGREEMENT

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

THIS AGREEMENT (“Agreement”), made and entered into this 24th day of July, 2008 (the “Effective Date”), by and between A.M. Castle & Co., a Maryland corporation (the “Company”), and Scott F. Stephens (the “Executive”);

WITNESSETH THAT :

WHEREAS, the Company wishes to assure itself of the continuity of the Executive’s service and has determined that it is appropriate that the Executive receive certain payments in the event of an involuntary termination of employment; and

WHEREAS, the Company and the Executive accordingly desire to enter into this Agreement on the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, IT IS HEREBY AGREED, by and between the parties as follows:

1. Relationship to Other Agreements . Except as otherwise provided in any other agreement between the Company and the Executive which specifically identifies this Agreement and specifically provides that it supersedes this Agreement, this Agreement shall supersede any and all other agreements between the Executive and the Company regarding the payment of benefits upon a termination of the Executive’s employment with the Company. If the Executive is entitled to severance pay or other benefits pursuant to the terms of this Agreement, the Executive shall not be eligible to receive any severance pay or other benefits pursuant to the terms of any other severance agreement or arrangement of the Company (or any affiliate of the Company), including any arrangement of the Company (or any affiliate of the Company) providing benefits upon involuntary termination of employment.

2. Agreement Term . The “Term” of this Agreement shall begin on the Effective Date and shall continue through the first one-year anniversary of the Effective Date; provided, however, that as of the first one-year anniversary of the Effective Date, and on each one-year anniversary thereafter, the Term shall automatically be extended for one additional year unless, not later than 30 days prior to such applicable anniversary date, either party shall have given written notice to the other party that it does not wish to extend the Term.

3. Certain Definitions . In addition to terms otherwise defined herein, the following capitalized terms used in this Agreement shall have the meanings specified below:

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- (a) Cause. The term “Cause” shall mean:
- (i) Executive’s willful theft or embezzlement, or willful attempted theft of embezzlement, of intangible assets or property of the Company;
  - (ii) Any willful act knowingly committed by Executive that subjects the Company or any officer of the Company to any criminal liability for such act;
  - (iii) The Executive’s engaging in egregious misconduct involving serious moral turpitude to the extent that, in the reasonable judgment of the Company, the Executive’s credibility and reputation no longer conform to the standard of the Company’s executives;
  - (iv) Gross and willful misconduct by Executive that results in a material injury to the Company;
  - (v) Willful dishonesty of Executive that results in a material injury to the Company;
  - (vi) Willful malfeasance by Executive, provided that such malfeasance, in fact, has an injurious effect on the Company;
  - (vii) Executive’s willful insubordination or willful refusal to perform assigned duties provided that such assigned duties are consistent with the job duties of the Executive and that the Executive shall have an opportunity of 30 days after notice from the Company to cure any such act or failure to act;
  - (viii) Executive’s material breach of this Agreement which continues for 30 days after notice from the Company.
- (b) Code. The term “Code” means the Internal Revenue Code of 1986, as amended.
- (c) Good Reason. The term “Good Reason” shall mean:
- (i) a material diminution in the Executive’s base compensation;
  - (ii) a material diminution in the Executive’s authority, duties, or responsibilities;

- (iii) a material diminution in the authority, duties, or responsibilities of the person to whom the Executive is required to report;
- (iv) a material diminution in the budget over which the Executive retains authority;
- (v) a material change in the geographic location at which the Executive must perform services for the Company; or
- (vi) any other action or inaction that constitutes a material breach by the Company of this Agreement.

For purposes of this Agreement, in order for a termination of employment by the Executive to be considered to be on account of Good Reason, the following conditions must be met by the Executive:

- (A) the Executive provides written notice to the Company of the existence of the condition(s) described in this subparagraph (c) potentially constituting Good Reason within 90 days of the initial existence of such condition(s), and
- (B) the Company fails to remedy the conditions which the Executive outlines in his written notice within 30 days of such notice, and
- (C) the Executive actually terminates employment with the Company within six months of providing the notice described in this subparagraph (c).
- (d) Termination Date. The term "Termination Date" means the date on which the Executive's employment with the Company and its affiliates terminates for any reason, including voluntary resignation. If the Executive becomes employed by an entity into which the Company has merged, or by the purchaser of substantially all of the assets of the Company, or by a successor to such entity or purchaser, a Termination Date shall not be treated as having occurred for purposes of this Agreement until such time as the Executive terminates employment with the successor and its affiliates (including, without limitation, the merged entity or purchaser). If the Executive is transferred to employment with an affiliate (including a successor to the Company), such transfer shall not constitute a Termination Date for purposes of this Agreement except if the termination of the Executive is for Good Reason as provided herein.

4. Payments and Benefits. Subject to the terms and conditions of this Agreement, if the Executive's employment is terminated during the Term of this Agreement (A) by the Company for a reason other than for Cause or (B) by the Executive for Good Reason, the Executive shall be entitled to:

- (a) a lump sum severance payment equal to one times the Executive's annual base salary in effect immediately prior to the Termination Date.
- (b) a lump sum payment in an amount equal to the annual short-term incentive compensation to which the Executive would have been entitled had he continued in the employ of the Company through the last day of the calendar year in which the Termination Date occurs and had the applicable incentive target(s) for such calendar year been met, pro-rated for the number of days during the calendar year that the Executive was employed prior to the Termination Date.
- (c) for each performance cycle for which an award to the Executive is outstanding under the Company's long term incentive compensation plan and with respect to which the Executive has performed services to his Termination Date, a lump sum payment in an amount equal to the target number of shares granted to the Executive in the long term incentive plan to which the Executive would have been entitled had he continued in the employ of the Company through the last day of the performance cycle, pro-rated for the number of days during the calendar year that the Executive was employed prior to the Termination Date.
- (d) continued health benefit coverage for the Executive and the Executive's qualified beneficiaries as provided in section 4980B of the Code ("COBRA"). Such COBRA continuation coverage shall be provided to the Executive and the Executive's qualified beneficiaries only if and to the extent that the Executive (or his qualified beneficiaries, as applicable) make a timely and proper election to be covered under COBRA and make timely payments for the cost of such coverage; provided, however, that such COBRA coverage shall be at the Company's expense for the period beginning on the day after the Termination Date and ending on the earlier of (i) the first anniversary of the Termination Date or (ii) the date on which the Executive commences employment with another employer.
- (e) for the period beginning on the Termination Date and ending on the earlier of (i) the first anniversary of the Termination Date and (ii) the date on which the Executive commences employment with another employer, the Executive shall be permitted the use of a Company-owned or leased automobile on the terms and conditions set forth in the Company's Automobile Policy.

For the avoidance of doubt, the Executive shall not be entitled to any benefits under this Agreement if his termination of employment occurs on account of his death, disability, or voluntary resignation (other than for Good Reason).

5. Time of Payments. Provided that the conditions of paragraph 6 (relating to waiver and release) have been satisfied, payments pursuant to subparagraphs 4(a) and 4(b) shall be paid no later than March 15th of the calendar year following the calendar year in which the Executive's Termination Date occurs or at such *earlier* date as may apply in accordance with the following:

- (a) the payment pursuant to subparagraph 4(a) (relating to severance pay) shall be paid within 10 days following the later of (i) the Executive's Termination Date or (ii) the date on which the conditions of paragraph 6 are satisfied; and
- (b) the payment pursuant to subparagraph 4(b) and (c) (relating to equity incentive compensation) shall be made within 10 days following the later of (i) the date that the long term and/or short-term incentive compensation would have been paid if the Participant's Termination Date had not occurred, and (ii) the date on which the conditions of paragraph 6 are satisfied.

Notwithstanding any other provision of this Agreement, if the requirements of paragraph 6 are not satisfied on or before March 1st of the calendar year following the calendar year in which the Executive's Termination Date occurs, the Executive shall not be entitled to any payments or benefits under this Agreement.

6. Waiver and Release. The Executive shall not be entitled to any payments or benefits under this Agreement unless and until the Participant executes and delivers to the Company a valid release of any and all claims against the Company and its affiliates in a form acceptable to the Company and the revocation period for such release has expired without revocation.

7. Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. None of the Company or any of its affiliates shall be entitled to set off against the amounts payable to the Executive under this Agreement any amounts owed to the Company or any of its affiliates by the Executive, any amounts earned by the Executive in other employment after the Termination Date, or any amounts which might have been earned by the Executive in other employment had he sought such other employment.

8. Parachute Payments. The Company and the Executive agree that if any payment or benefit to which the Executive is entitled from the Company, any affiliate, or any trusts established by the Company or by any affiliate (whether or not payable under this Agreement) including, without limitation, the vesting of an option or other non-cash benefit or property (all such payments, benefits and vesting being referred to collectively as "Payments") are subject to the tax imposed by section 4999 of the Internal Revenue Code of 1986 or any successor provision to that section, then the Payments shall be reduced to the extent required to avoid application of the tax imposed by Code section 4999. The Executive shall be entitled to select the order in which payments are to be reduced in accordance with the preceding sentence. Determination of whether Payments

would result in the application of the tax imposed by section 4999, and the amount of reduction that is necessary so that no such tax would be applied, shall be made, at the Company's expense, by the independent accounting firm employed by the Company on the Termination Date.

9. Withholding. All payments to the Executive under this Agreement will be subject to all applicable withholding of applicable taxes.

10. Confidential Information. The Executive agrees that during the Agreement Term and at all times thereafter:

- (a) Except as may be required by the lawful order of a court or agency of competent jurisdiction, except as necessary to carry out his duties to the Company and its affiliates, or except to the extent that the Executive has express authorization from the Company, the Executive agrees to keep secret and confidential indefinitely, all Confidential Information (as defined below), and not to disclose the same, either directly or indirectly, to any other person, firm, or business entity, or to use it in any way.
- (b) To the extent that any court or agency seeks to have the Executive disclose Confidential Information, he shall promptly inform the Company, and he shall take such reasonable steps to prevent disclosure of Confidential Information until the Company has been informed of such requested disclosure, and the Company has an opportunity to respond to such court or agency. To the extent that the Executive obtains information on behalf of the Company or any of its affiliates that may be subject to attorney-client privilege as to the Company's attorneys, the Executive shall take reasonable steps to maintain the confidentiality of such information and to preserve such privilege.
- (c) Nothing in the foregoing provisions of this paragraph 10 shall be construed so as to prevent the Executive from using, in connection with his employment for himself or an employer other than the Company or any of the affiliates, knowledge which was acquired by him during the course of his employment with the Company and its affiliates, and which is generally known to persons of his experience in other companies in the same industry.
- (d) For purposes of this Agreement, the term "Confidential Information" shall include all non-public information (including, without limitation, information regarding litigation and pending litigation) concerning the Company and its affiliates which was acquired by or disclosed to the Executive during the course of his employment with the Company, or during the course of his consultation with the Company following the Termination Date.

- (e) This paragraph 10 shall not be construed to unreasonably restrict the Executive's ability to disclose confidential information in an arbitration proceeding or a court proceeding in connection with the assertion of, or defense against any claim of breach of this Agreement. If there is a dispute between the Company and the Executive as to whether information may be disclosed in accordance with this subparagraph (e), the matter shall be submitted to the arbitrators or the court (whichever is applicable) for decision.

11. Competition. During the Term of the Agreement and for a period of 12 months after termination of the Executive's employment with the Company for any reason, the Executive shall not, without the express written consent of the Chief Executive Officer of the Company:

- (a) be employed by, serve as a consultant to, or otherwise assist or directly or indirectly provide services to a Competitor (defined below) if: (i) the services that the Executive is to provide to the Competitor are the same as, or substantially similar to, any of the services that the Executive provided to the Company or its affiliates, and such services are to be provided with respect to any location in which the Company or an affiliate of the Company has material operations during the 12-month period prior to the Termination Date, or with respect to any location in which the Company or an affiliate of the Company has devoted material resources to establishing operations during the 12-month period prior to the Termination Date; or (ii) the trade secrets, confidential information, or proprietary information (including, without limitation, confidential or proprietary methods) of the Company and its affiliates to which the Executive had access could reasonably be expected to benefit the Competitor if the Competitor were to obtain access to such secrets or information. For purposes of this subparagraph (a), services provided by others shall be deemed to have been provided by the Executive if the Executive had material supervisory responsibilities with respect to the provision of such services.
- (b) solicit or attempt to solicit any party who is then or, during the 12-month period prior to such solicitation or attempt by the Executive was (or was solicited to become), a customer or supplier of the Company, provided that the restriction in this subparagraph (b) shall not apply to any activity on behalf of a business that is not a Competitor.
- (c) solicit, entice, persuade or induce any individual who is employed by the Company or its affiliates (or was so employed within 90 days prior to the Executive's action) to terminate or refrain from renewing or extending such employment or to become employed by or enter into contractual relations with any other individual or entity other than the Company or its affiliates, and the Executive shall not approach any

such employee for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity for 12 months after Executive's Termination Date.

- (d) directly or indirectly own an equity interest in any Competitor (other than ownership of 5% or less of the outstanding stock of any corporation listed on the New York Stock Exchange or the American Stock Exchange or included in the NASDAQ System).

The term "Competitor" means any enterprise (including a person, firm or business, whether or not incorporated) during any period in which it is materially competitive in any way with any business in which the Company or any of its affiliates was engaged during the 12-month period prior to the Executive's termination of employment. Upon the written request of the Executive, the Company's Chief Executive Officer will determine whether a business or other entity constitutes a "Competitor" for purposes of this paragraph and may require the Executive to provide such information as the Chief Executive Officer determines to be necessary to make such determination. The current and continuing effectiveness of such determination may be conditioned on the accuracy of such information, and on such other factors as the Chief Executive Officer may determine.

12. Non-Disparagement. The Executive agrees that, while he is employed by the Company, and after his Termination Date, he shall not make any false, defamatory or disparaging statements about the Company, its affiliates, or the officers or directors of the Company or its affiliates that are reasonably likely to cause material damage to the Company, its affiliates, or the officers or directors of the Company or its affiliates. While the Executive is employed by the Company, and after the Termination Date, the Company agrees, on behalf of itself and its affiliates, that neither the officers nor the directors of the Company or its affiliates shall make any false, defamatory or disparaging statements about the Executive that are reasonably likely to cause material damage to the Executive.

13. Nonalienation. The interests of the Executive under this Agreement are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Executive or the Executive's beneficiary.

14. Amendment. This Agreement may be amended or canceled only by mutual agreement of the parties in writing without the consent of any other person. So long as the Executive lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof.

15. Applicable Law. The provisions of this Agreement shall be construed in accordance with the laws of the State of Illinois, without regard to the conflict of law provisions of any state.

16. Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, and this Agreement will be construed as if such invalid or unenforceable provision were omitted (but only to the extent that such provision cannot be appropriately reformed or modified).

17. Obligation of Company. Except as otherwise specifically provided in this Agreement, nothing in this Agreement shall be construed to affect the Company's right to modify the Executive's position or duties, compensation, or other terms of employment, or to terminate the Executive's employment. Nothing in this Agreement shall be construed to provide to the Executive any rights upon termination of the Executive's employment with the Company other than as specifically described in paragraph 4. If the Executive's employment is terminated other than by the Company for Cause or by the Executive for Good Reason, the Executive's benefits shall be determined in accordance with the applicable retirement, insurance and other programs of the Company as may then be in effect.

18. Waiver of Breach. No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party of any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of any party hereto to take any action by reason of such breach will not deprive such party of the right to take action at any time while such breach continues.

19. Successors, Assumption of Contract. This Agreement is personal to the Executive and may not be assigned by the Executive without the written consent of the Company. However, to the extent that rights or benefits under this Agreement otherwise survive the Executive's death, the Executive's heirs and estate shall succeed to such rights and benefits pursuant to the Executive's will or the laws of descent and distribution. This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company and the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

20. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid (provided that international mail shall be sent via overnight or two-day delivery), or sent by facsimile or prepaid overnight courier to the parties at the addresses set forth below. Such notices, demands, claims and other communications shall be deemed given:

- (a) in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery;

- (b) in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail; or
- (c) in the case of facsimile, the date upon which the transmitting party received confirmation of receipt by facsimile, telephone or otherwise;

provided, however, that in no event shall any such communications be deemed to be given later than the date they are actually received. Communications that are to be delivered by the U.S. mail or by overnight service or two-day delivery service are to be delivered to the addresses set forth below:

to the Company:

A.M.Castle & Co.  
3400 North Wolf Road  
Franklin Park, IL 60131  
Attn: Corporate Secretary

or to the Executive:

Scott F. Stephens  
2307 Skylane Drive  
Naperville, IL 60564

Each party, by written notice furnished to the other party, may modify the applicable delivery address, except that notice of change of address shall be effective only upon receipt.

21. Arbitration of All Disputes. Any controversy or claim arising out of or relating to this Agreement (or the breach thereof) shall be settled by final, binding and non-appealable arbitration in Illinois, by three arbitrators. Except as otherwise expressly provided in this paragraph 21, the arbitration shall be conducted in accordance with the rules of the American Arbitration Association (the "Association") then in effect. One of the arbitrators shall be appointed by the Company, one shall be appointed by the Executive, and the third shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the third arbitrator within 30 days of the appointment of the second arbitrator, then the third arbitrator shall be appointed by the Association.

22. Survival of Agreement. Except as otherwise expressly provided in this Agreement, the rights and obligations of the parties to this Agreement shall survive the termination of the Executive's employment with the Company.

23. Counterparts. This Agreement may be executed in two or more counterparts, any one of which shall be deemed the original without reference to the others.

IN WITNESS THEREOF, the Executive has hereunto set his hand, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Effective Date.

/s/ Scott F. Stephens  
Executive

A.M. Castle & Co.

By /s/ Michael H. Goldberg  
Its President & Chief Executive Officer

CHANGE IN CONTROL AGREEMENT

A.M. CASTLE & CO.

THIS AGREEMENT ("Agreement"), made and entered into this 24th day of July, 2008 (the "Effective Date"), by and between A.M. Castle & Co., a Maryland corporation (the "Company"), and Scott F. Stephens (the "Executive");

WITNESSETH THAT :

WHEREAS, the Company wishes to assure itself of the continuity of the Executive's service and has determined that it is appropriate that the Executive receive certain payments in the event that the Executive's employment is involuntarily terminated following a change in control as more fully described below; and

WHEREAS, the Company and the Executive accordingly desire to enter into this Agreement on the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, IT IS HEREBY AGREED, by and between the parties as follows:

1. Relationship to Other Agreements. Unless and until a Change of Control (as defined in paragraph 3) occurs, no benefits or other payments shall be payable under this Agreement. If a Change of Control occurs during the Term of this Agreement (as defined in paragraph 2), this Agreement shall supersede that certain Severance Agreement between the Company and the Executive, dated July 24, 2008 (the "Severance Agreement"), and any and all other agreements between the Executive and the Company regarding the payment of benefits upon a termination of the Executive's employment with the Company. If the Executive is entitled to severance pay or other benefits pursuant to the terms of this Agreement, the Executive shall not be eligible to receive any severance pay or other benefits pursuant to the terms of any other severance agreement or arrangement of the Company (or any affiliate of the Company), including any arrangement of the Company (or any affiliate of the Company) providing benefits upon involuntary termination of employment.

2. Agreement Term. The "Term" of this Agreement shall begin on the Effective Date and shall continue through the first one-year anniversary of the Effective Date; provided, however, that as of the first one-year anniversary of the Effective Date, and on each one-year anniversary thereafter, the Term shall automatically be extended for one additional year unless, not later than 30 days prior to such applicable anniversary date, either party shall have given written notice to the other party that it does not wish to extend the Term; and provided, further, that if a Change in Control shall have occurred within 90 days of such termination dates, the Term of this Agreement shall automatically be deemed extended and shall continue for a period of twenty-four calendar months beyond the calendar month in which such Change in Control occurs.

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3. Certain Definitions. In addition to terms otherwise defined herein, the following capitalized terms used in this Agreement shall have the meanings specified below:

(a) Cause. The term "Cause" shall mean:

(i) Executive's willful theft or embezzlement, or willful attempted theft of embezzlement, of intangible assets or property of the Company;

(ii) Any willful act knowingly committed by Executive that subjects the Company or any officer of the Company to any criminal liability for such act;

(iii) The Executive's engaging in egregious misconduct involving serious moral turpitude to the extent that, in the reasonable judgment of the Company, the Executive's credibility and reputation no longer conform to the standard of the Company's executives;

(iv) Gross and willful misconduct by Executive that results in a material injury to the Company;

(v) Willful dishonesty of Executive that results in a material injury to the Company;

(vi) Willful malfeasance by Executive, provided that such malfeasance, in fact, has an injurious effect on the Company;

(vii) Executive's willful insubordination or willful refusal to perform assigned duties provided that such assigned duties are consistent with the job duties of the Executive and that the Executive shall have an opportunity of 30 days after notice from the Company to cure any such act or failure to act;

(viii) Executive's material breach of this Agreement which continues for 30 days after notice from the Company.

(b) Change in Control. The term "Change in Control" shall mean any of the following that occur after the Effective Date:

(i) Ownership, whether direct or indirect, of shares in excess of twenty-five percent (25%) of the outstanding shares of common stock of the Company by a Person (as that term is used in Section 13(d)(3) or 14(d)(2) of the Exchange Act) other than Simpson Estates;

(ii) The occurrence of any transaction relating to the Company required to be described pursuant to the requirements of Item 5(f) of Schedule 14(a) of Regulation 14(a) of the Securities Act of 1934 as promulgated by the Security and Exchange Commission; or

(iii) Any change in the composition of the Board of Directors of the Company (the “Board”) over a two-year period which results in a majority of the then present directors of the Company not constituting a majority two years later, provided that in making such determination, directors who are elected by or upon the recommendation of the then current majority of the Board shall be excluded.

(a) Code. The term “Code” means the Internal Revenue Code of 1986, as amended.

(b) Good Reason. The term “Good Reason” shall mean:

- (i) a material diminution in the Executive’s base compensation;
- (ii) a material diminution in the Executive’s authority, duties, or responsibilities;
- (iii) a material diminution in the authority, duties, or responsibilities of the person to whom the Executive is required to report;
- (iv) a material diminution in the budget over which the Executive retains authority;
- (v) a material change in the geographic location at which the Executive must perform services for the Company; or
- (vi) any other action or inaction that constitutes a material breach by the Company of this Agreement.

For purposes of this Agreement, in order for a termination of employment by the Executive to be considered to be on account of Good Reason, the following conditions must be met by the Executive:

- (A) the Executive provides written notice to the Company of the existence of the condition(s) described in this subparagraph (c) potentially constituting Good Reason within 90 days of the initial existence of such conditions, and
- (B) the Company fails to remedy the conditions within 30 days of such notice, and
- (C) the Executive actually terminates employment with the Company within six months of providing the notice described in this subparagraph (c).

(e) Termination Date.

The term "Termination Date" means the date on which the Executive's employment with the Company and its affiliates terminates for any reason, including voluntary resignation. If the Executive becomes employed by an entity into which the Company has merged, or by the purchaser of substantially all of the assets of the Company, or by a successor to such entity or purchaser, a Termination Date shall not be treated as having occurred for purposes of this Agreement until such time as the Executive terminates employment with the successor and its affiliates (including, without limitation, the merged entity or purchaser). If the Executive is transferred to employment with an affiliate (including a successor to the Company, and regardless of whether before, on, or after a Change in Control), such transfer shall not constitute a Termination Date for purposes of this Agreement except if the termination of the Executive is for Good Reason, as provided herein.

4. Payments and Benefits. Subject to the terms and conditions of this Agreement, if the Executive's employment is terminated during the Term of this Agreement after a Change of Control (A) by the Company for a reason other than for Cause or (B) by the Executive for Good Reason, the Executive shall be entitled to:

- (a) lump sum severance payment equal to two times the Executive's annual base salary in effect immediately prior to the Termination Date.
- (b) a lump sum payment in an amount equal to the annual short-term incentive compensation to which the Executive would have been entitled had he continued in the employ of the Company through the last day of the calendar year in which his Termination Date occurs and had the applicable incentive target(s) for such calendar year been met, pro-rated for the number of days during the calendar year that the Executive was employed prior to the Termination Date.
- (c) for each performance cycle for which an award to the Executive is outstanding under the Company's long-term incentive compensation plan and with respect to which the Executive has performed services to his Termination Date, a lump sum payment in an amount equal to the target number of shares granted to the Executive in the long-term incentive compensation plan to which the Executive would have been entitled had he continued in the employ of the Company through the last day of such performance cycle multiplied by the fair market value of the shares on the Termination Date, pro-rated for the number of days during the applicable performance cycle that the Executive was employed prior to the Termination Date.
- (d) if the Executive is vested in the Company's tax-qualified defined benefit plan at the time his employment terminates, he shall be entitled to an amount equal to the actuarial equivalent of the additional amount that Executive would have earned under such plan had he accumulated three(3)

additional continuous years of service for benefit crediting purposes. Such amount shall be paid to Executive in an actuarially equivalent cash lump sum at Executive's normal retirement age (as defined in such tax-qualified defined benefit plan), unless the Executive chooses the option provided under Code Section 409A as outlined in paragraph 8 herein.

- (e) continued health benefit coverage for the Executive and the Executive's qualified beneficiaries as provided in section 4980B of the Code ("COBRA"). Such COBRA continuation coverage shall be provided to the Executive and the Executive's qualified beneficiaries only if and to the extent that the Executive (or his qualified beneficiaries, as applicable) makes a timely and proper election to be covered under COBRA and makes timely payments for the cost of such coverage; provided, however, that such COBRA coverage shall be at the Company's expense for the period beginning on the day after the Termination Date and ending on the earlier of (i) the first anniversary of the Termination Date or (ii) the date on which the Executive commences employment with another employer.
- (f) for the period beginning on the Termination Date and ending on the earlier of (i) the first anniversary of the Termination Date and (ii) the date on which the Executive commences employment with another employer, the Executive shall be permitted the use of a Company-owned or leased automobile on the terms and conditions set forth in the Company's Automobile Policy.

For the avoidance of doubt, the Executive shall not be entitled to any benefits under this Agreement if his termination of employment occurs on account of his death, disability, or voluntary resignation (other than for Good Reason).

5. Time of Payments. payments pursuant to subparagraphs 4(a), 4(b) and 4(c) shall be paid as follows:

(a) the payment pursuant to subparagraph 4(a) (relating to severance pay) shall be paid within 10 days following the later of (i) the Executive's Termination Date and (ii) the date on which the conditions of paragraph 6 are satisfied; and

(b) any payment pursuant to subparagraphs 4(b) and 4(c) (relating to equity incentive compensation) shall be made within 10 days following the later of the Executive's Termination Date, and (ii) the date on which the conditions of paragraph 6 are satisfied.

Notwithstanding any other provision of this Agreement, if the requirements of paragraph 6 are not satisfied on or before March 1st of the calendar year following the calendar year in which the Executive's Termination Date occurs, the Executive shall not be entitled to any payments or benefits under this Agreement.

6. Waiver and Release. The Executive shall not be entitled to any payments or benefits under this Agreement unless and until the Participant executes and delivers to the Company a valid release of any and all claims against the Company and its affiliates in a form acceptable to the Company and the revocation period for such release has expired without revocation.

7. Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. None of the Company or any of its affiliates shall be entitled to set off against the amounts payable to the Executive under this Agreement any amounts owed to the Company or any of its affiliates by the Executive, any amounts earned by the Executive in other employment after the Termination Date, or any amounts which might have been earned by the Executive in other employment had he sought such other employment.

8. Parachute Payments. The Company and the Executive agree that if any payment or benefit to which the Executive is entitled from the Company, any affiliate, or any trusts established by the Company or by any affiliate (whether or not payable under this Agreement) including, without limitation, the vesting of an option or other non-cash benefit or property (all such payments, benefits and vesting being referred to collectively as "Payments") are subject to the tax imposed by section 4999 of the Internal Revenue Code of 1986 or any successor provision to that section, then Executive may choose to receive the aggregate present value of those payments either:

- (a) three times Executive's base amount less one dollar, or
- (b) the amount which yields the Executive the greatest after-tax amount of payments under this Agreement and any other plan, program or arrangement with the Company after taking into account all applicable taxes on those payments, including, but not limited to, the excise tax imposed under Section 4999 of the Code.
- (c) The Executive shall be entitled to select the order in which payments are to be reduced in accordance with the preceding sentence. Determination of whether Payments would result in the application of the tax imposed by section 4999, and the amount of reduction that is necessary so that no such tax would be applied, shall be made, at the Company's expense, by the independent accounting firm employed by the Company immediately prior to the occurrence of the Change in Control.

9. Withholding. All payments to the Executive under this Agreement will be subject to all applicable withholding of applicable taxes.

10. Confidential Information. The Executive agrees that during the Agreement Term and at all times thereafter:

- (a) Except as may be required by the lawful order of a court or agency of competent jurisdiction, except as necessary to carry out his duties to the Company and its affiliates, or except to the extent that the Executive has express authorization from the Company, the Executive agrees to keep secret and confidential indefinitely, all Confidential Information (as defined below), and not to disclose the same, either directly or indirectly, to any other person, firm, or business entity, or to use it in any way.
- (b) To the extent that any court or agency seeks to have the Executive disclose Confidential Information, he shall promptly inform the Company, and he shall take such reasonable steps to prevent disclosure of Confidential Information until the Company has been informed of such requested disclosure, and the Company has an opportunity to respond to such court or agency. To the extent that the Executive obtains information on behalf of the Company or any of its affiliates that may be subject to attorney-client privilege as to the Company's attorneys, the Executive shall take reasonable steps to maintain the confidentiality of such information and to preserve such privilege.
- (c) Nothing in the foregoing provisions of this paragraph 10 shall be construed so as to prevent the Executive from using, in connection with his employment for himself or an employer other than the Company or any of the affiliates, knowledge which was acquired by him during the course of his employment with the Company and its affiliates, and which is generally known to persons of his experience in other companies in the same industry.
- (d) For purposes of this Agreement, the term "Confidential Information" shall include all non-public information (including, without limitation, information regarding litigation and pending litigation) concerning the Company and its affiliates which was acquired by or disclosed to the Executive during the course of his employment with the Company, or during the course of his consultation with the Company following the Termination Date.
- (e) This paragraph 10 shall not be construed to unreasonably restrict the Executive's ability to disclose confidential information in an arbitration proceeding or a court proceeding in connection with the assertion of, or defense against any claim of breach of this Agreement. If there is a dispute between the Company and the Executive as to whether information may be disclosed in accordance with this subparagraph (e), the matter shall be submitted to the arbitrators or the court (whichever is applicable) for decision.

11. Competition . During the Term of the Agreement and for a period of 12 months after termination of the Executive's employment with the Company for any

reason, the Executive shall not, without the express written consent of the Chief Executive Officer of the Company:

- (a) be employed by, serve as a consultant to, or otherwise assist or directly or indirectly provide services to a Competitor (defined below) if: (i) the services that the Executive is to provide to the Competitor are the same as, or substantially similar to, any of the services that the Executive provided to the Company or its affiliates, and such services are to be provided with respect to any location in which the Company or an affiliate of the Company has material operations during the 12-month period prior to the Termination Date, or with respect to any location in which the Company or an affiliate of the Company has devoted material resources to establishing operations during the 12-month period prior to the Termination Date; or (ii) the trade secrets, confidential information, or proprietary information (including, without limitation, confidential or proprietary methods) of the Company and its affiliates to which the Executive had access could reasonably be expected to benefit the Competitor if the Competitor were to obtain access to such secrets or information. For purposes of this subparagraph (a), services provided by others shall be deemed to have been provided by the Executive if the Executive had material supervisory responsibilities with respect to the provision of such services.
- (b) solicit or attempt to solicit any party who is then or, during the 12-month period prior to such solicitation or attempt by the Executive was (or was solicited to become), a customer or supplier of the Company, provided that the restriction in this subparagraph (b) shall not apply to any activity on behalf of a business that is not a Competitor.
- (c) solicit, entice, persuade or induce any individual who is employed by the Company or its affiliates (or was so employed within 90 days prior to the Executive's action) to terminate or refrain from renewing or extending such employment or to become employed by or enter into contractual relations with any other individual or entity other than the Company or its affiliates, and the Executive shall not approach any such employee for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity for 12 months after the Termination Date.
- (d) directly or indirectly own an equity interest in any Competitor (other than ownership of 5% or less of the outstanding stock of any corporation listed on the New York Stock Exchange or the American Stock Exchange or included in the NASDAQ System).

The term "Competitor" means any enterprise (including a person, firm or business, whether or not incorporated) during any period in which it is materially competitive in any way with any business in which the Company or any of its affiliates was engaged

during the 12-month period prior to the Executive's termination of employment. Upon the written request of the Executive, the Company's Chief Executive Officer will determine whether a business or other entity constitutes a "Competitor" for purposes of this paragraph and may require the Executive to provide such information as the Chief Executive Officer determines to be necessary to make such determination. The current and continuing effectiveness of such determination may be conditioned on the accuracy of such information, and on such other factors as the Chief Executive Officer may determine.

12. Non-Disparagement. The Executive agrees that, while he is employed by the Company, and after his Termination Date, he shall not make any false, defamatory or disparaging statements about the Company, its affiliates, or the officers or directors of the Company or its affiliates that are reasonably likely to cause material damage to the Company, its affiliates, or the officers or directors of the Company or its affiliates. While the Executive is employed by the Company, and after the Termination Date, the Company agrees, on behalf of itself and its affiliates, that neither the officers nor the directors of the Company or its affiliates shall make any false, defamatory or disparaging statements about the Executive that are reasonably likely to cause material damage to the Executive.

13. Nonalienation. The interests of the Executive under this Agreement are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Executive or the Executive's beneficiary.

14. Amendment. This Agreement may be amended or canceled only by mutual agreement of the parties in writing without the consent of any other person. So long as the Executive lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof.

15. Applicable Law. The provisions of this Agreement shall be construed in accordance with the laws of the State of Illinois, without regard to the conflict of law provisions of any state.

16. Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, and this Agreement will be construed as if such invalid or unenforceable provision were omitted (but only to the extent that such provision cannot be appropriately reformed or modified).

17. Obligation of Company. Except as otherwise specifically provided in this Agreement, nothing in this Agreement shall be construed to affect the Company's right to modify the Executive's position or duties, compensation, or other terms of employment, or to terminate the Executive's employment. Nothing in this Agreement shall be construed to provide to Executive any rights upon termination of Executive's employment with the Company other than as specifically described in paragraph 4. If Executive's employment is terminated other than by the Company for Cause or by the

Executive for Good Reason, the Executive' benefits shall be determined in accordance with the applicable retirement, insurance and other programs of the Company as may then be in effect.

18. Waiver of Breach. No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party of any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of any party hereto to take any action by reason of such breach will not deprive such party of the right to take action at any time while such breach continues.

19. Successors, Assumption of Contract. This Agreement is personal to the Executive and may not be assigned by the Executive without the written consent of the Company. However, to the extent that rights or benefits under this Agreement otherwise survive the Executive's death, the Executive's heirs and estate shall succeed to such rights and benefits pursuant to the Executive's will or the laws of descent and distribution. This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company and the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

20. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid (provided that international mail shall be sent via overnight or two-day delivery), or sent by facsimile or prepaid overnight courier to the parties at the addresses set forth below. Such notices, demands, claims and other communications shall be deemed given:

- (a) in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery;
- (b) in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail; or
- (c) in the case of facsimile, the date upon which the transmitting party received confirmation of receipt by facsimile, telephone or otherwise;

provided, however, that in no event shall any such communications be deemed to be given later than the date they are actually received. Communications that are to be delivered by the U.S. mail or by overnight service or two-day delivery service are to be delivered to the addresses set forth below:

to the Company:

A. M. Castle & Co.  
3400 North Wolf Road  
Franklin Park, IL 60131  
Attn: Corporate Secretary

or to the Executive:

Scott F. Stephens  
2307 Skylane Drive  
Naperville, IL 60564

Each party, by written notice furnished to the other party, may modify the applicable delivery address, except that notice of change of address shall be effective only upon receipt.

21. Arbitration of All Disputes. Any controversy or claim arising out of or relating to this Agreement (or the breach thereof) shall be settled by final, binding and non-appealable arbitration in Illinois, by three arbitrators. Except as otherwise expressly provided in this paragraph 21, the arbitration shall be conducted in accordance with the rules of the American Arbitration Association (the "Association") then in effect. One of the arbitrators shall be appointed by the Company, one shall be appointed by the Executive, and the third shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the third arbitrator within 30 days of the appointment of the second arbitrator, then the third arbitrator shall be appointed by the Association.

22. Survival of Agreement. Except as otherwise expressly provided in this Agreement, the rights and obligations of the parties to this Agreement shall survive the termination of the Executive's employment with the Company.

23. Counterparts. This Agreement may be executed in two or more counterparts, any one of which shall be deemed the original without reference to the others.

IN WITNESS THEREOF, the Executive has hereunto set his hand, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Effective Date.

/s/ Scott F. Stephens  
Executive

\_\_\_\_\_  
A. M. Castle & Co.

By /s/ Michael H. Goldberg  
Its President & Chief Executive Officer

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

I, Michael H. Goldberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of A. M. Castle & Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)] for the Registrant 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 Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant'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 Registrant'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 Registrant's internal control over financial reporting.

Date: July 30, 2008

/s/ Michael H. Goldberg

Michael H. Goldberg

President and Chief Executive Officer

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

I, Scott F. Stephens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of A. M. Castle & Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] and internal control over financial reporting [as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f)] for the Registrant 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 Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant'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 Registrant'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 Registrant's internal control over financial reporting.

Date: July 30, 2008

/s/ Scott F. Stephens

Scott F. Stephens  
Vice President and Chief 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 Quarterly Report of A. M. Castle & Co. (the "Company") on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael H. Goldberg, President and Chief Executive Officer (Principal Executive Officer) and Scott F. Stephens, Vice President and Chief Financial Officer (Principal Financial Officer) of the Company, respectively, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company and its subsidiaries.

/s/ Michael H. Goldberg

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Michael H. Goldberg  
President and Chief Executive Officer  
(Principal Executive Officer)  
July 30, 2008

/s/ Scott F. Stephens

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Scott F. Stephens  
Vice President and Chief Financial Officer  
(Principal Financial Officer)  
July 30, 2008