Ryerson Holding Corp
Form 10-Q
November 02, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

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 333-169372

Ryerson Holding Corporation

(Exact name of registrant as specified in its charter)

DELAWARE	**26-1251524**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2621 West 15th Place

Chicago, Illinois 60608

(Address of principal executive offices)

(773) 762-2121

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x	Smaller reporting company	¨

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

As of November 1, 2011 there were 5,000,000 shares of Common Stock outstanding.

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RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Operations (Unaudited)

(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net sales	$ 1,218.8	$ 1,031.7	$ 3,694.8	$ 2,923.4
Cost of materials sold	1,045.1	892.6	3,200.5	2,517.9
Gross profit	173.7	139.1	494.3	405.5
Warehousing, delivery, selling, general and administrative	138.2	128.6	413.2	374.7
Restructuring and other charges	0.4		1.3	
Gain on insurance settlement				(2.6)
Impairment charge on fixed assets	2.2	0.2	4.7	1.2
Operating profit	32.9	10.3	75.1	32.2
Other income and (expense), net	1.1	(1.9)	6.2	(2.0)
Interest and other expense on debt	(31.4)	(27.6)	(91.7)	(79.6)
Income (loss) before income taxes	2.6	(19.2)	(10.4)	(49.4)
Provision for income taxes	3.5	5.6	10.1	11.9
Net loss	(0.9)	(24.8)	(20.5)	(61.3)
Less: Net income attributable to noncontrolling interest		0.2	0.1	0.1
Net loss attributable to Ryerson Holding Corporation	$ (0.9)	$ (25.0)	$ (20.6)	$ (61.4)

See Notes to Condensed Consolidated Financial Statements.

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RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Operating activities:		
Net loss	$ (20.5)	$ (61.3)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	32.2	27.9
Deferred income taxes		50.0
Provision for allowances, claims and doubtful accounts	3.6	1.7
Noncash interest expense related to debt discount amortization	30.2	21.9
Impairment charge on fixed assets	4.7	1.2
Restructuring and other charges	1.3	
Gain on bargain purchase	(5.8)	
Change in operating assets and liabilities, net of the effects of acquisitions:		
Receivables	(131.1)	(187.6)
Inventories	0.3	(100.1)
Other assets	(0.4)	5.8
Accounts payable	9.8	122.3
Accrued liabilities		20.1
Accrued taxes payable/receivable	11.4	(39.5)
Deferred employee benefit costs	(37.2)	(38.5)
Other items	0.1	(0.7)
Net adjustments	(80.9)	(115.5)
Net cash used in operating activities	(101.4)	(176.8)
Investing activities:		
Acquisitions, net of cash acquired	(19.7)	(12.0)
Decrease in restricted cash	16.1	0.5
Capital expenditures	(30.3)	(19.9)
Proceeds from sales of property, plant and equipment	7.6	4.4
Other		(14.8)
Net cash used in investing activities	(26.3)	(41.8)
Financing activities:		
Long term debt issued		220.2
Repayment of debt	(7.7)	(10.6)
Proceeds from credit facility borrowings		180.0
Repayment of credit facility borrowings		(180.0)
Net proceeds / (repayments) of credit facility borrowings	106.6	155.0
Purchase of subsidiary shares from noncontrolling interest		(17.5)
Debt issuance costs	(15.8)	(5.7)
Net increase in book overdrafts	19.3	23.9
Dividends paid		(213.8)

Net cash provided by financing activities	102.4	151.5
Net decrease in cash and cash equivalents	(25.3)	(67.1)
Effect of exchange rate changes on cash and cash equivalents	1.2	3.1
Net change in cash and cash equivalents	(24.1)	(64.0)
Cash and cash equivalents beginning of period	62.6	115.0
Cash and cash equivalents end of period	$ 38.5	$ 51.0
Supplemental disclosures:		
Cash paid during the period for:		
Interest paid to third parties	$ 42.9	$ 37.9
Income taxes, net	0.6	0.1

See Notes to Condensed Consolidated Financial Statements.

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RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Balance Sheets

(In millions, except shares)

	September 30, 2011 (unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 38.5	$ 62.6
Restricted cash	5.9	15.6
Receivables less provision for allowances, claims and doubtful accounts of $9.3 and $8.7, respectively	629.1	497.9
Inventories	795.9	783.4
Prepaid expenses and other current assets	50.0	57.8
Total current assets	1,519.4	1,417.3
Property, plant, and equipment, at cost	596.0	583.4
Less: Accumulated depreciation	125.4	104.2
Property, plant and equipment, net	470.6	479.2
Deferred income taxes	42.7	47.1
Other intangible assets	18.5	16.2
Goodwill	72.5	73.3
Deferred charges and other assets	30.7	20.4
Total assets	$ 2,154.4	$ 2,053.5
Liabilities		
Current liabilities:		
Accounts payable	$ 319.3	$ 287.5
Salaries, wages and commissions	39.5	43.2
Deferred income taxes	133.8	135.7
Other accrued liabilities	67.1	49.6
Short-term debt	52.5	26.7
Current portion of deferred employee benefits	15.7	15.8
Total current liabilities	627.9	558.5
Long-term debt	1,287.9	1,184.6
Deferred employee benefits	443.0	482.3
Taxes and other credits	11.7	10.6
Total liabilities	2,370.5	2,236.0
Commitments and contingencies		
Equity		
Ryerson Holding Corporation stockholders equity (deficit):		
Common stock**,** $0.01 par value; 10,000,000 shares authorized; 5,000,000 shares issued at 2011 and 2010		
Capital in excess of par value	224.9	224.9
Accumulated deficit	(294.0)	(273.4)
Accumulated other comprehensive loss	(151.4)	(138.2)

Total Ryerson Holding Corporation stockholders equity (deficit)	(220.5)	(186.7)
Noncontrolling interest	4.4	4.2
Total equity (deficit)	(216.1)	(182.5)
Total liabilities and equity	$ 2,154.4	$ 2,053.5

See Notes to Condensed Consolidated Financial Statements.

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RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1: FINANCIAL STATEMENTS

Ryerson Holding Corporation (Ryerson Holding), a Delaware corporation, is the parent company of Ryerson Inc. (Ryerson). Ryerson Holding is 99% owned by affiliates of Platinum Equity, LLC (Platinum).

Ryerson conducts materials distribution operations in the United States through its wholly-owned direct subsidiary Joseph T. Ryerson & Son, Inc. (JT Ryerson), in Canada through its indirect wholly-owned subsidiary Ryerson Canada, Inc., a Canadian corporation (Ryerson Canada) and in Mexico through its indirect wholly-owned subsidiary Ryerson Metals de Mexico, S. de R.L. de C.V., a Mexican corporation (Ryerson Mexico). In addition to our North American operations, we conduct materials distribution operations in China through Ryerson China Limited (Ryerson China), a company in which we have a 100% ownership percentage. Unless the context indicates otherwise, Ryerson Holding, Ryerson, JT Ryerson, Ryerson Canada, Ryerson China and Ryerson Mexico together with their subsidiaries, are collectively referred to herein as we, us, our, or the Company.

The following table shows our percentage of sales by major product lines for the three and nine months ended September 30, 2011 and 2010, respectively:

Product Line	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Carbon Steel Flat	28%	29%	27%	29%
Carbon Steel Plate	11	9	11	8
Carbon Steel Long	11	9	10	9
Stainless Steel Flat	17	21	19	21
Stainless Steel Plate	4	4	4	4
Stainless Steel Long	4	3	4	3
Aluminum Flat	15	15	14	15
Aluminum Plate	3	3	4	3
Aluminum Long	4	3	3	4
Other	3	4	4	4
Total	100%	100%	100%	100%

Results of operations for any interim period are not necessarily indicative of results of any other periods or for the year. The financial statements as of September 30, 2011 and for the three-month and nine-month periods ended September 30, 2011 and 2010 are unaudited, but in the opinion of management include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for such periods. The year-end condensed consolidated balance sheet data contained in this report was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles(GAAP) in the United States of America. These financial statements should be read in conjunction with the financial statements and related notes contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. Certain prior period amounts have been reclassified to conform to the 2011 presentation.

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-6, *Improving Disclosures About Fair Value Measurements* (ASU 2010-6), which requires reporting entities to make new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. ASU 2010-6 is effective for interim and annual reporting periods beginning after December 15, 2009, except for Level 3 reconciliation disclosures which are effective for interim and annual periods beginning after December 15, 2010. We adopted the requirements within ASU 2010-6 as of January 1, 2010, except for the Level 3 reconciliation disclosures which we adopted as of January 1, 2011. The adoption did not have an impact on our financial statements.

In December 2010, the FASB issued ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. This ASU updates Accounting Standards Codification (ASC) Topic 350, *Intangibles Goodwill and Other* to amend the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires performing Step 2 if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. We adopted this guidance prospectively on January 1, 2011. The Company does not have any reporting units with zero or negative carrying amounts as of September 30, 2011.

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In December 2010, the FASB issued ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations* to specify that if a company presents comparative financial statements, it should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current period, occurred at the beginning of the comparable prior annual reporting period only. This guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. We adopted this guidance prospectively on January 1, 2011. The adoption did not have an impact on our financial statements.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amends ASC 820, *Fair Value Measurements* (ASC 820), providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. The revised guidance is effective for interim and annual periods beginning after December 15, 2011 and early application by public entities is prohibited. We do not expect this pronouncement to have a material effect on our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income*, (ASU 2011-05). Under ASU 2011-05, entities are required to present total comprehensive income either in a single, continuous statement of comprehensive income or in two separate but consecutive statements. Under the single-statement approach, entities must include the components of net income, a total for net income, the components of other comprehensive income and a total for comprehensive income. Under the two-statement approach, entities must report an income statement and, immediately following, a statement of other comprehensive income. The amendments in ASU 2011-05 do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 should be applied retrospectively. The provisions for this pronouncement are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. We will adopt this pronouncement for our fiscal year beginning January 1, 2012. The adoption of ASU 2011-05 is not expected to have a material effect on the Company s consolidated financial statements, but requires a change in the presentation of the Company s comprehensive income from the notes of the condensed consolidated financial statements, where it is currently disclosed, to the face of the condensed consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (ASU 2011-08). ASU 2011-08 allows an entity to make an initial qualitative evaluation, based on the entity s events and circumstances, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The results of this qualitative assessment determine whether it is necessary to perform the currently required two-step impairment test. The new guidance also expands upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. The Company is currently evaluating the impact of this accounting guidance.

In September 2011, the FASB issued ASU 2011-09, *Compensation Retirement Benefits Multiemployer Plans (Subtopic 715-80),* (ASU 2011-09) to improve transparency and increase awareness of the commitments and risks involved with participation in multiemployer plans. The new accounting guidance requires employers participating in multiemployer plans to provide additional quantitative and qualitative disclosures to provide users with more detailed information regarding an employer s involvement in multiemployer plans. The provisions of this new guidance are effective for annual periods beginning with fiscal years ending after December 15, 2011, with early adoption permitted. We have reviewed our level of participation in multiemployer plans and determined that the impact of adopting this guidance is not material to our financial statements. The Company anticipates that the adoption of this standard will expand our consolidated financial statement footnote disclosures.

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NOTE 3: INVENTORIES

The Company uses the last-in, first-out (LIFO) method of valuing inventory. Interim LIFO calculations are based on actual inventory levels.

Inventories, at stated LIFO value, were classified at September 30, 2011 and December 31, 2010 as follows:

	September 30, 2011	December 31, 2010
	(In millions)	
In process and finished products	$ 795.9	$ 783.4

If current cost had been used to value inventories, such inventories would have been $54 million higher than reported at September 30, 2011. If current cost had been used to value inventories, such inventories would have been $20 million lower than reported at December 31, 2010. Approximately 87% and 86% of inventories are accounted for under the LIFO method at September 30, 2011 and December 31, 2010, respectively. Non-LIFO inventories consist primarily of inventory at our foreign facilities using the weighted-average cost and the specific cost methods. Substantially all of our inventories consist of finished products.

During the nine months ended September 30, 2011, inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 2011 purchases, the effect of which decreased cost of materials sold by approximately $3.8 million.

NOTE 4: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to $72.5 million at September 30, 2011. Pursuant to ASC 350, *Intangibles Goodwill and Other,* we review the recoverability of goodwill and other intangible assets deemed to have indefinite lives annually as of October 1 or whenever significant events or changes occur which might impair the recovery of recorded amounts. The most recently completed impairment test of goodwill was performed as of October 1, 2010 and it was determined that no impairment existed. Other intangible assets with finite useful lives continue to be amortized over their useful lives. We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable.

NOTE 5: ACQUISITIONS

On March 14, 2011 (the acquisition date) Ryerson Inc. acquired all the issued and outstanding capital stock of Singer Steel Company (Singer). Singer is a full-service steel value-added processor with state-of-the-art processing equipment. We believe that Singer s capabilities strongly enhance Ryerson s offering in the Midwest and Northeast United States.

The fair value of the consideration totaled $23.6 million on the acquisition date, which consisted of the following:

	Consideration (In millions)
Cash	$ 20.0
Holdback (1)	3.6
Total	$ 23.6

(1) Any remaining holdback amount not used for undisclosed obligations is payable to the seller within 18 months from the acquisition date.

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The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The Company used a third-party valuation firm to estimate the fair values of the property, plant and equipment and intangible assets. Inventory was valued by the Company using acquisition date fair values of the metals.

	At March 14, 2011 (In millions)
Cash	$ 0.2
Restricted cash	6.5
Accounts receivable	7.3
Inventory	16.3
Property, plant, and equipment	8.2
Intangible assets	4.3
Other assets	0.3
Total identifiable assets acquired	43.1
Current liabilities	11.4
Deferred tax liabilities	2.3
Total liabilities assumed	13.7
Net identifiable assets acquired	29.4
Bargain purchase	(5.8)
Net assets acquired	$ 23.6

The fair value of accounts receivables acquired is $7.3 million, with a gross amount of $7.8 million. The Company expects $0.5 million to be uncollectible.

Of the $4.3 million of acquired intangible assets, $2.2 million was assigned to customer relationships with a useful life of 7 years, $1.7 million was assigned to trademarks with a useful life of 5 years and $0.4 million was assigned to a license agreement with a useful life of 7 years.

The transaction resulted in a bargain purchase primarily due to the fair value of acquired intangible assets and higher inventory valuation related to rising metals prices. The gain is included in other income and (expense), net in the Statement of Operations. The Company has recognized $0.4 million in acquisition-related fees, which is included in Warehousing, delivery, selling, general and administrative expenses in the statement of operations.

Included in the first nine months of 2011 financial results is $26.7 million of revenue and $7.8 million (includes the $5.8 million bargain purchase gain) of net income from Singer since the acquisition date.

The following unaudited pro forma information presents consolidated results of operations for the three and nine months ended September 30, 2011 and 2010 as if the acquisition of Singer on March 14, 2011 had occurred January 1, 2010:

	Pro Forma			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In millions)			
Net sales	$ 1,218.8	$ 1,044.0	$ 3,705.8	$ 2,961.0
Net loss attributable to Ryerson Holding Corporation	(0.9)	(25.2)	(27.3)	(61.1)

The 2011 supplemental pro forma net loss was adjusted to exclude the $5.8 million bargain purchase gain realized in 2011 as it is a nonrecurring item.

NOTE 6: LONG-TERM DEBT

Long-term debt consisted of the following at September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
	(In millions)	
Ryerson Secured Credit Facility	$ 553.5	$ 457.3
12% Senior Secured Notes due 2015	368.7	376.2
Floating Rate Senior Secured Notes due 2014	102.9	102.9
14 $^{1}/2$% Senior Discount Notes due 2015	483.0	483.0
8 $^{1}/4$% Senior Notes due 2011	4.1	4.1
Foreign debt	29.9	19.7
Total debt	1,542.1	1,443.2
Less:		
Unamortized discount on Ryerson Holding Notes	201.7	231.9
Short-term credit facility borrowings	18.5	2.9
8 $^{1}/_{4}$% Senior Notes due 2011	4.1	4.1
Foreign debt	29.9	19.7
Total long-term debt	$ 1,287.9	$ 1,184.6

Ryerson Credit Facility

On March 14, 2011, Ryerson amended and restated its $1.35 billion revolving credit facility agreement (Ryerson Credit Facility) which extends the maturity date to the earliest of (a) March 14, 2016, (b) the date that occurs 90 days prior to the scheduled maturity date of the Floating Rate Senior Secured Notes due November 1, 2014 (2014 Notes), if the 2014 Notes are then outstanding and (c) the date that occurs 90 days prior to the scheduled maturity date of the 12% Senior Secured Notes due November 1, 2015 (2015 Notes) (together, with the 2014 Notes, the Ryerson Notes), if the 2015 Notes are then outstanding. At September 30, 2011, Ryerson had $553.5 million of outstanding borrowings, $25 million of letters of credit issued and $366 million available under the $1.35 billion Ryerson Credit Facility compared to $457.3 million of outstanding borrowings, $24 million of letters of credit issued and $317 million available at December 31, 2010. Total credit availability is limited by the amount of eligible accounts receivable and inventory pledged as collateral under the agreement insofar as Ryerson is subject to a borrowing base comprised of the aggregate of these two amounts, less applicable reserves. Eligible accounts receivable, at any date of determination, are comprised of the aggregate value of all accounts directly created by a borrower in the ordinary course of business arising out of the sale of goods or the rendition of services, each of which has been invoiced, with such receivables adjusted to exclude various ineligible accounts, including, among other things, those to which a borrower does not have sole and absolute title and accounts arising out of a sale to an employee, officer, director, or affiliate of the borrower. The weighted-average interest rate on the borrowings under the Ryerson Credit Facility was 2.6 percent and 2.1 percent at September 30, 2011 and December 31, 2010, respectively.

Amounts outstanding under the Ryerson Credit Facility bear interest at a rate determined by reference to the base rate (Bank of America s prime rate) or a LIBOR rate or, for Ryerson s Canadian subsidiary which is a borrower, a rate determined by reference to the Canadian base rate (Bank of America-Canada Branch s Base Rate for loans in U.S. Dollars in Canada) or the BA rate (average annual rate applicable to Canadian Dollar bankers acceptances) or a LIBOR rate and the Canadian prime rate (Bank of America-Canada Branch s Prime Rate.). The spread over the base rate and Canadian prime rate is between 0.75% and 1.50% and the spread over the LIBOR and for the bankers acceptances is between 1.75% and 2.50%, depending on the amount available to be borrowed. Overdue amounts and all amounts owed during the existence of a default bear interest at 2% above the rate otherwise applicable thereto. Ryerson also pays commitment fees on amounts not borrowed at a rate between 0.375% and 0.50% depending on the average borrowings as a percentage of the total $1.35 billion agreement during a rolling three month period.

Borrowings under the Ryerson Credit Facility are secured by first-priority liens on all of the inventory, accounts receivable, lockbox accounts and related assets of Ryerson, subsidiary borrowers and certain other U.S. subsidiaries of Ryerson that act as guarantors.

The Ryerson Credit Facility contains covenants that, among other things, restrict Ryerson with respect to the incurrence of debt, the creation of liens, transactions with affiliates, mergers and consolidations, sales of assets and acquisitions. The Ryerson Credit Facility also requires that, if availability under such facility declines to a certain level, Ryerson maintain a minimum fixed charge coverage ratio as of the end of each fiscal quarter.

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The Ryerson Credit Facility contains events of default with respect to, among other things, default in the payment of principal when due or the payment of interest, fees and other amounts after a specified grace period, material misrepresentations, failure to perform certain specified covenants, certain bankruptcy events, the invalidity of certain security agreements or guarantees, material judgments and the occurrence of a change of control of Ryerson. If such an event of default occurs, the lenders under the Ryerson Credit Facility will be entitled to various remedies, including acceleration of amounts outstanding under the Ryerson Credit Facility and all other actions permitted to be taken by secured creditors.

The lenders under the Ryerson Credit Facility have the ability to reject a borrowing request if any event, circumstance or development has occurred that has had or could reasonably be expected to have a material adverse effect on Ryerson. If Ryerson or any significant subsidiaries of the other borrowers becomes insolvent or commences bankruptcy proceedings, all amounts borrowed under the Ryerson Credit Facility will become immediately due and payable.

Proceeds from Ryerson Credit Facility borrowings and repayments of Ryerson Credit Facility borrowings in the Consolidated Statements of Cash Flows represent borrowings under the Company s revolving credit agreement with original maturities greater than three months. Net proceeds (repayments) under the Ryerson Credit Facility represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

Ryerson Holding Notes

On January 29, 2010, Ryerson Holding issued $483 million aggregate principal amount at maturity of 14 1/2% Senior Discount Notes due 2015 (the Ryerson Holding Notes). No cash interest accrues on the Ryerson Holding Notes. The Ryerson Holding Notes had an initial accreted value of $455.98 per $1,000 principal amount and will accrete from the date of issuance until maturity on a semi-annual basis. The accreted value of each Ryerson Holding Note increased from the date of issuance until October 31, 2010 at a rate of 14.50%. Thereafter the interest rate increases by 1% (to 15.50%) until July 31, 2011, an additional 1.00% (to 16.50%) on August 1, 2011 until April 30, 2012, and increases by an additional 0.50% (to 17.00%) on May 1, 2012 until the maturity date. Interest compounds semi-annually such that the accreted value will equal the principal amount at maturity of each note on that date. At September 30, 2011, the accreted value of the Ryerson Holding Notes was $281.3 million. The Ryerson Holding Notes are not guaranteed by any of Ryerson Holding s subsidiaries and are secured by a first-priority security interest in the capital stock of Ryerson. The Ryerson Holding Notes rank equally in right of payment with all of Ryerson Holding s senior debt and senior in right of payment to all of Ryerson Holding s subordinated debt. The Ryerson Holding Notes are effectively junior to Ryerson Holding s other secured debt to the extent of the collateral securing such debt (other than the capital stock of Ryerson). Because the Ryerson Holding Notes are not guaranteed by any of Ryerson Holding s subsidiaries, the notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of Ryerson Holding s subsidiaries, including Ryerson.

The Ryerson Holding Notes contain customary covenants that, among other things, limit, subject to certain exceptions, Ryerson Holding s ability to incur additional indebtedness, pay dividends on its capital stock or repurchase its capital stock, make certain investments or other restricted payments, create liens or use assets as security in other transactions, enter into sale and leaseback transactions, merge, consolidate or transfer or dispose of substantially all of Ryerson Holding s assets, and engage in certain transactions with affiliates.

The Ryerson Holding Notes are redeemable, at our option, in whole or in part, at any time at specified redemption prices. We are required to redeem the Ryerson Holding Notes upon the receipt of net proceeds of certain qualified equity issuances, specified change of controls and/or specified receipt of dividends.

The terms of the Ryerson Notes (discussed below) restrict Ryerson from paying dividends to Ryerson Holding. Subject to certain exceptions, Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of future net income, once prior losses are offset. In the event Ryerson is restricted from providing Ryerson Holding with sufficient distributions to fund the retirement of the Ryerson Holding Notes at maturity, Ryerson Holding may default on the Ryerson Holding Notes unless other sources of funding are available.

Pursuant to a registration rights agreement, Ryerson Holding agreed to offer to exchange each of the Ryerson Holding Notes for a new issue of Ryerson Holding s debt securities registered under the Securities Act, with terms substantially identical to those of the Ryerson Holding Notes. Ryerson Holding completed the exchange offer on December 7, 2010. As a result of completing the exchange offer, Ryerson Holding satisfied its obligations under the registration rights agreement covering the Ryerson Holding Notes.

Ryerson Notes

On October 19, 2007, Ryerson issued the Ryerson Notes. The 2014 Notes bear interest at a rate, reset quarterly, of LIBOR plus 7.375% per annum. The 2015 Notes bear interest at a rate of 12% per annum. The Ryerson Notes are fully and unconditionally guaranteed on a senior secured basis by certain of our existing and future subsidiaries (including those existing and future domestic subsidiaries that are co-borrowers or guarantee obligations under the Ryerson Credit Facility).

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At September 30, 2011, $368.7 million of the 2015 Notes and $102.9 million of the 2014 Notes remain outstanding. During the first nine months of 2011, $7.5 million principal amount of the 2015 Notes were repurchased for $7.7 million and retired, resulting in the recognition of a $0.2 million loss within other income and (expense), net on the consolidated statement of operations.

The Ryerson Notes and guarantees are secured by a first-priority lien on substantially all of Ryerson and its guarantors present and future assets located in the United States (other than receivables, inventory, related general intangibles, certain other assets and proceeds thereof) including equipment, owned real property interests valued at $1 million or more, and all present and future shares of capital stock or other equity interests of each of Ryerson and its guarantors directly owned domestic subsidiaries and 65% of the present and future shares of capital stock or other equity interests, of each of Ryerson and its guarantor s directly owned foreign restricted subsidiaries, in each case subject to certain exceptions and customary permitted liens. The Ryerson Notes and guarantees are secured on a second-priority basis by a lien on the assets that secure Ryerson s obligations under the Ryerson Credit Facility. The Ryerson Notes contain customary covenants that, among other things, limit, subject to certain exceptions, Ryerson s ability, and the ability of its restricted subsidiaries, to incur additional indebtedness, pay dividends on its capital stock or repurchase its capital stock, make investments, sell assets, engage in acquisitions, mergers or consolidations or create liens or use assets as security in other transactions. Subject to certain exceptions, Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of future net income, once prior losses are offset.

The Ryerson Notes will be redeemable by Ryerson, in whole or in part, at any time on or after November 1, 2011, at specified redemption prices. If a change of control occurs, Ryerson must offer to purchase the Ryerson Notes at 101% of their principal amount, plus accrued and unpaid interest.

Pursuant to a registration rights agreement, Ryerson agreed to offer to exchange each of the notes for a new issue of our debt securities registered under the Securities Act, with terms substantially identical to those of the Ryerson Notes. Ryerson completed the exchange offer on April 9, 2009. As a result of completing the exchange offer, Ryerson satisfied its obligations under the registration rights agreement covering the Ryerson Notes.

$150 Million 8 $^1/_4$% Senior Notes due 2011

At September 30, 2011, $4.1 million of the 8 $^1/4$% Senior Notes due 2011 (2011 Notes) remain outstanding. The 2011 Notes pay interest semi-annually and mature on December 15, 2011.

The 2011 Notes contained covenants, substantially all of which were removed pursuant to an amendment of the 2011 Notes as a result of the tender offer to repurchase the notes during 2007.

Foreign Debt

At September 30, 2011, Ryerson China s total foreign borrowings were $29.9 million, of which, $27.1 million was owed to banks in Asia at a weighted average interest rate of 6.3% secured by inventory and property, plant and equipment. Ryerson China also owed $2.8 million at September 30, 2011 to other parties at a weighted average interest rate of 0.7%. At December 31, 2010, Ryerson China s total foreign borrowings were $19.7 million, of which, $17.9 million was owed to banks in Asia at a weighted average interest rate of 4.3% secured by inventory and property, plant and equipment. Ryerson China also owed $1.8 million at December 31, 2010 to other parties at a weighted average interest rate of 1.0%. Availability under the foreign credit lines was $15 million and $14 million at September 30, 2011 and December 31, 2010, respectively. Letters of credit issued by our foreign subsidiaries totaled $10 million and $7 million at September 30, 2011 and December 31, 2010, respectively.

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NOTE 7: EMPLOYEE BENEFITS

The following table summarizes the components of net periodic benefit cost for the three-month and nine-month periods ended September 30, 2011 and 2010 for the Ryerson pension plans and postretirement benefits other than pension:

	Three Months Ended September 30,			
	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
	(In millions)			
Components of net periodic benefit cost				
Service cost	$ 1	$	$	$
Interest cost	11	10	3	3
Expected return on assets	(12)	(11)		
Recognized actuarial net (gain) loss	2	2	(2)	(1)
Net periodic benefit cost	$ 2	$ 1	$ 1	$ 2

	Nine Months Ended September 30,			
	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
	(In millions)			
Components of net periodic benefit cost				
Service cost	$ 2	$ 2	$ 1	$ 1
Interest cost	32	32	7	7
Expected return on assets	(35)	(35)		
Recognized actuarial net (gain) loss	5	5	(4)	(3)
Net periodic benefit cost	$ 4	$ 4	$ 4	$ 5

Contributions

The Company has contributed $34.3 million to the pension plan fund through the nine months ended September 30, 2011 and anticipates that it will have a minimum required pension contribution funding of approximately $9.7 million for the remaining three months of 2011.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Litigation

During the year ended December 31, 2010, the Company received $2.6 million related to the settlement of an insurance claim. Based on a 2003 agreement between Ispat International N.V. and Ispat Inland, Inc. (collectively, Ispat) and Ryerson, Ryerson assigned its environmental insurance policy issued by Kemper Environmental Ltd (Kemper) to Ispat and Ispat agreed to use commercially reasonable efforts to pursue certain claims against Kemper. Ryerson received a letter from ArcelorMittal, the successor in interest by merger to Ispat, in 2010 stating it had reached a settlement with Kemper Environmental Ltd. relating to a 2005 claim and that Ryerson would receive $2.6 million as its agreed upon share of the settlement. The Company received the $2.6 million in 2010 and in accordance with ASC 450-30, the Company recognized the gain upon its realization.

From time to time, we are named as a defendant in legal actions incidental to our ordinary course of business. We do not believe that the resolution of these claims will have a material adverse effect on our financial position, results of operations or cash flows. We maintain liability insurance coverage to assist in protecting our assets from losses arising from or related to activities associated with business operations.

NOTE 9: DERIVATIVES AND FAIR VALUE MEASUREMENTS

Derivatives

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk, foreign currency risk, and commodity price risk. Interest rate swaps are entered into to manage interest rate risk associated with the Company s floating-rate borrowings. We use foreign currency exchange contracts to hedge our Canadian subsidiaries variability in cash flows from the forecasted payment of currencies other than the functional currency. From time to time, we may enter into fixed price sales contracts with our customers for certain of our inventory components. We may enter into metal commodity futures and options contracts periodically to reduce volatility in the price of metals. We may also

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enter into natural gas price swaps to manage the price risk of forecasted purchases of natural gas. The Company currently does not account for its derivative contracts as hedges but rather marks them to market with a corresponding offset to current earnings. The Company regularly reviews the creditworthiness of its derivative counterparties and does not expect to incur a significant loss from the failure of any counterparties to perform under any agreements.

The following table summarizes the location and fair value amount of our derivative instruments reported in our consolidated balance sheet as of September 30, 2011 and December 31, 2010:

	Asset Derivatives				Liability Derivatives			
	September 30, 2011		December 31, 2010		September 30, 2011		December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
				(In millions)				
Derivatives not designated as hedging instruments under ASC 815								
Interest rate contracts							Other accrued liabilities	$ 0.8
Foreign exchange contracts	Prepaid expenses and other current assets	$ 0.3					Other accrued liabilities	0.3
Commodity contracts			Prepaid expenses and other current assets	$ 0.7	Other accrued liabilities	$ 1.3	Other accrued liabilities	0.1
Total derivatives		$ 0.3		$ 0.7		$ 1.3		$ 1.2

The Company s interest rate forward contracts had a notional amount of $100 million as of December 31, 2010. The interest rate forward contract expired in July 2011. As of September 30, 2011 and December 31, 2010, the Company s foreign currency exchange contracts had a U.S. dollar notional amount of $6.4 million and $7.1 million, respectively. As of September 30, 2011 and December 31, 2010, the Company had 289 tons and 1,345 tons, respectively, of nickel futures or option contracts related to forecasted purchases. The Company entered into a natural gas price swap during 2010, which had a notional amount of 225,000 million British thermal units (mmbtu) as of December 31, 2010. The natural gas contract expired in March 2011. The Company entered into a hot roll steel coil option contract in 2010 related to forecasted purchases, which had a notional amount of 2,325 tons as of December 31, 2010. The hot roll steel coil contract expired in May 2011. The Company has aluminum price swaps related to forecasted purchases, which had a notional amount of 169 tons and 64 tons as of September 30, 2011 and December 31, 2010, respectively.

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The following table summarizes the location and amount of gains and losses reported in our consolidated statement of operations for the three and nine months ended September 30, 2011 and 2010:

Derivatives not designated as hedging instruments under ASC 815	Location of Gain/(Loss) Recognized in Income on Derivatives	Amount of Gain/(Loss) Recognized in Income on Derivatives Three Months Ended September 30,		Nine Months Ended September 30,	
		2011	2010	2011	2010
		(In millions)			
Interest rate contracts	Interest and other expense on debt	$	$ (0.3)	$	$ (1.1)
Foreign exchange contracts	Other income and (expense), net	0.6	(0.3)	0.6	(0.2)
Metal commodity contracts	Cost of materials sold	(1.4)		(2.2)	(0.2)
Natural gas commodity contracts	Warehousing, delivery, selling, general and administrative		(0.1)	(0.1)	(0.1)
Total		$ (0.8)	$ (0.7)	$ (1.7)	$ (1.6)

Fair Value Measurements

As permitted by ASC 820-10-65-1, the Company adopted the nonrecurring fair value measurement disclosures for nonfinancial assets and liabilities. To increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

1. Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date.

2. Level 2 inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

3. Level 3 unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

The following table presents assets and liabilities measured and recorded at fair value on our Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of September 30, 2011:

	At September 30, 2011 Level 1	Level 2	Level 3
	(In millions)		
Assets			
Cash equivalents:			
Commercial paper	$ 13.1	$	$
Prepaid and other current assets:			
Common stock available-for-sale investments	$ 12.0	$	$

Mark-to-market derivatives:			
Foreign exchange contracts	$	$ 0.3	$
Liabilities			
Mark-to-market derivatives:			
Commodity contracts	$	$ 1.3	$

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The following table presents assets and liabilities measured and recorded at fair value on our Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2010:

	At December 31, 2010		
	Level 1	Level 2	Level 3
		(In millions)	
Assets			
Cash equivalents:			
Commercial paper	$ 18.1	$	$
Prepaid and other current assets:			
Common stock available-for-sale investments	$ 20.2	$	$
Mark-to-market derivatives:			
Commodity contracts	$	$ 0.7	$
Liabilities			
Mark-to-market derivatives:			
Interest rate contracts	$	$ 0.8	$
Foreign exchange contracts		0.3	
Commodity contracts		0.1	
Total liability derivatives	$	$ 1.2	$

The fair value of each derivative contract is determined using Level 2 inputs and the market approach valuation technique, as described in ASC 820. The Company has various commodity derivatives to lock in nickel prices for varying time periods. The fair value of these derivatives is determined based on the spot price each individual contract was purchased at and compared with the one-month daily average actual spot price on the London Metals Exchange for nickel on the valuation date. The Company also has commodity derivatives to lock in hot roll coil and aluminum prices for varying time periods. The fair value of these derivatives is determined based on the spot price each individual contract was purchased at and compared with the one-month daily average actual spot price on the New York Mercantile Exchange for the commodity on the valuation date. The Company also had an interest rate swap to fix a portion of the Company s interest payments on its debt obligations prior to its expiration on July 15, 2011. The interest rate swap had a notional amount of $100 million and fixed a portion of our interest payments at an interest rate of 1.59%. The interest rate swap was valued using estimated future one-month LIBOR interest rates as compared to the fixed interest rate of 1.59%. In addition, the Company has numerous foreign exchange contracts to hedge our Canadian subsidiaries variability in cash flows from the forecasted payment of currencies other than the functional currency, the Canadian dollar. The Company defines the fair value of foreign exchange contracts as the amount of the difference between the contracted and current market value at the end of the period. The Company estimates the current market value of foreign exchange contracts by obtaining month-end market quotes of foreign exchange rates and forward rates for contracts with similar terms. The Company uses the exchange rates provided by Reuters. Each contract term varies in the number of months, but on average is between 3 to 12 months in length.

The carrying and estimated fair values of the Company s financial instruments at September 30, 2011 and December 31, 2010 were as follows:

	At September 30, 2011		At December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(In millions)		
Cash and cash equivalents	$ 38.5	$ 38.5	$ 62.6	$ 62.6
Receivables less provision for allowances, claims and doubtful accounts	629.1	629.1	497.9	497.9
Accounts payable	319.3	319.3	287.5	287.5
Long-term debt, including current portion	1,340.4	1,251.8	1,211.3	1,206.2

The estimated fair value of the Company s cash and cash equivalents, receivables less provision for allowances, claims and doubtful accounts and accounts payable approximate their carrying amounts due to the short-term nature of these financial instruments. The estimated fair value of the Company s long-term debt and the current portions thereof is determined by using quoted market prices of Company debt securities, where available, and from analyses performed using current interest rates considering credit ratings and the remaining terms of maturity.

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Assets Held for Sale

The Company had $16.6 million and $14.3 million of assets held for sale, classified within other current assets, as of September 30, 2011 and December 31, 2010, respectively. The Company recorded $4.7 million and $1.2 million of impairment charges in the nine months ended September 30, 2011 and 2010, respectively, related to certain assets held for sale in order to recognize the assets at their fair value less cost to sell in accordance with ASC 360-10-35-43, *Property, Plant and Equipment Other Presentation Matters*. The fair values less costs to sell of long-lived assets held for sale are assessed each reporting period they remain classified as held for sale. Subsequent changes in the held for sale long-lived asset s fair value less cost to sell (increase or decrease) is reported as an adjustment to its carrying amount, except that the adjusted carrying amount cannot exceed the carrying amount of the long-lived asset at the time it was initially classified as held for sale. The fair values of each property were determined based on appraisals obtained from a third-party, pending sales contracts, or recent listing agreements with third-party brokerage firms.

The following table presents those assets that were measured and recorded at fair value on our Consolidated Balance Sheets on a non-recurring basis and their level within the fair value hierarchy during the nine months ended September 30, 2011:

	September 30, 2011		
	Level 1	**Level 2**	**Level 3**
		(In millions)	
Assets			
Other current assets assets held for sale	$	$ 16.6	$

Available-For-Sale Investments

The Company has classified investments made during 2010 as available-for-sale at the time of their purchase. Investments classified as available-for-sale are recorded at fair value with the related unrealized gains and losses included in accumulated other comprehensive income. Management evaluates investments in an unrealized loss position on whether an other-than-temporary impairment has occurred on a periodic basis. Factors considered by management in assessing whether an other-than-temporary impairment has occurred include: the nature of the investment; whether the decline in fair value is attributable to specific adverse conditions affecting the investment; the financial condition of the investee; the severity and the duration of the impairment; and whether we intend to sell the investment or will be required to sell the investment before recovery of its amortized cost basis. When it is determined that an other-than-temporary impairment has occurred, the investment is written down to its market value at the end of the period in which it is determined that an other-than-temporary decline has occurred. Realized gains and losses are recorded within the statement of operations upon sale of the security and are based on specific identification.

The Company s available-for-sale securities as of September 30, 2011 can be summarized as follows:

	At September 30, 2011			
	Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
			(In millions)	
Common stock	$ 14.8	$	$ (2.8)	$ 12.0

There is no maturity date for these investments and there have been no sales during the nine months ended September 30, 2011.

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NOTE 10: STOCKHOLDERS EQUITY (DEFICIT) AND OTHER COMPREHENSIVE INCOME

The following table details changes in capital accounts:

	Ryerson Holding Corporation Stockholders				Accumulated Other Comprehensive Income (Loss)				
	Common Stock Shares	Common Stock Dollars	Capital in Excess of Par Value Dollars	Accumulated Deficit Dollars	Foreign Currency Translation Dollars	Benefit Plan Liabilities Dollars	Unrealized Gain (Loss) on Available-For-Sale Investments Dollars	Noncontrolling Interest Dollars	Total Dollars
	(In millions, except shares in thousands)								
Balance at December 31, 2010	5,000	$	$ 224.9	$ (273.4)	$ (6.6)	$ (137.0)	$ 5.4	$ 4.2	$ (182.5)
Net income (loss)				(20.6)				0.1	(20.5)
Foreign currency translation					(5.9)			0.1	(5.8)
Benefit plan liabilities adjustment for recognition of prior service cost and net loss, net of tax provision of $0.1									