RELIANCE STEEL & ALUMINUM CO
Form 10-K
February 27, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2012

OR

o **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: 001-13122

RELIANCE STEEL & ALUMINUM CO.

(Exact name of registrant as specified in its charter)

California	**95-1142616**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

350 South Grand Avenue, Suite 5100
Los Angeles, California 90071
(213) 687-7700
(Address of principal executive offices and telephone number)

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

Title of each class	**Name of each exchange on which registered**
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 ý Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing price on the New York Stock Exchange on June 30, 2012 was approximately $3,620,000,000. As of January 31, 2013, 76,260,899 shares of the registrant's common stock, no par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 15, 2013 (the "Proxy Statement") are incorporated by reference into Part III of this report.

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SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Unless otherwise indicated or required by the context, as used in this Annual Report on Form 10-K, the terms "Company," "Reliance," "we," "our," and "us" refer to Reliance Steel & Aluminum Co. and all of its subsidiaries that are consolidated in conformity with U.S. generally accepted accounting principles. This Annual Report on Form 10-K and the documents incorporated by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements include discussions of our business strategies and our expectations concerning future operations, margins, profitability, liquidity and capital resources. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "thinks," "estimates," "seeks," "predicts," "potential" and similar expressions. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those in the future that are implied by these forward-looking statements. These risks and other factors include those described under "Risk Factors" and elsewhere in this Annual Report on Form 10-K and the documents incorporated by reference. These factors, among others, could cause our actual results and performance to differ materially from the results and performance projected in, or implied by, the forward-looking statements. As you read and consider this Annual Report and the documents incorporated by reference, you should understand that the forward-looking statements are not guarantees of performance or results.

All future written and oral forward-looking statements attributable to us or to any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. New risks and uncertainties arise from time to time, and we cannot predict those events or how they may affect us. We assume no obligation to update any forward-looking statements after the date of this Annual Report as a result of new information, future events or developments, except as required by the federal securities laws.

Forward-looking statements involve known and unknown risks and uncertainties. Various factors, such as the factors listed below and further discussed in detail in "Risk Factors" may cause our actual results, performance, or achievements to be materially different from those expressed or implied by any forward-looking statements. Among the factors that could cause our results to differ are the following:

Our future operating results depend on a number of factors beyond our control, such as the prices for and the availability of metals, which could cause our results to fluctuate significantly over time. During periods of low customer demand it could be more difficult for us to pass through price increases to our customers, which could reduce our gross profit and net income. A significant or rapid increase or decrease in costs from current levels could have a severe negative impact on our profitability.

We service industries that are highly cyclical, and downturns in our customers' industries could reduce our revenue and profitability.

The success of our business is affected by general economic and political conditions both in the U.S. and globally. Our business was adversely impacted by the recent economic recession and, although pricing and demand have stabilized since that time, we do not know if, or when, demand levels will return to pre-recession levels. We were also recently impacted by the "fiscal cliff" concerns in our 2012 fourth quarter during which many of our customers decreased their purchasing activity. If the U.S. institutes austerity measures, including automatic sequesters, or is unable to raise its "debt ceiling", our business could be negatively impacted. Further, any significant deterioration in the global economy from current levels could also negatively impact our business.

We operate in a very competitive industry and increased competition could reduce our profitability.

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Global economic factors may cause increased imports of metal products to the U.S., which may cause the cost of the metals we purchase to decline and could also cause our selling prices and profitability to decline.

If the producers increase production levels without offsetting increases in end demand, metal costs could decline, which may cause our selling prices and profitability to decline.

As a decentralized business, we depend on both senior management and our operating employees; if we are unable to attract and retain well-qualified individuals, our results of operations may decline.

The interest rates on our $1.5 billion revolving credit facility are variable. Our outstanding borrowings on our $1.5 billion revolving credit facility were $525.0 million at December 31, 2012. Interest rate changes could have a significant impact on our financial results, and the impact would be amplified if we increase our borrowings on our $1.5 billion revolving credit facility or obtain new financing at variable rates.

We may not be able to consummate future acquisitions, and those acquisitions that we do complete may be difficult to integrate into our business, or may fail to successfully adopt our operating strategies.

Our acquisitions might fail to perform as we anticipate or there could be significant negative events in our industry or the general economy that fundamentally alter our business model and outlook. This could result in a significant impairment charge to goodwill and/or other intangible assets. Acquisitions may also result in our becoming responsible for unforeseen liabilities that may adversely affect our financial condition and liquidity. If our acquisitions do not perform as anticipated, our operating results also may be adversely affected.

Various environmental and other governmental regulations may require us to expend significant capital and incur substantial costs or may impact the customers we serve, which may have a negative impact on our financial results.

We may discover internal control deficiencies in our decentralized operations or in an acquisition that must be reported in our SEC filings, which may result in a negative impact on the market price of our common stock or the ratings of our debt.

If existing shareholders with substantial holdings of our common stock sell their shares, the market price of our common stock could decline.

Principal shareholders who own a significant number of our shares may have interests that conflict with yours.

We may pursue growth opportunities that require us to increase our leverage ratios. This may cause our stock price to decline or impact our public debt ratings.

The volatility of our stock price has increased significantly since 2008. This volatility may continue in the future and may increase from current levels.

The foregoing factors are not exhaustive, and new factors may emerge or changes to the foregoing factors may occur that could impact our business. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future performance or results. We are not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should consider these risks when reading any forward-looking statements and review carefully the section captioned "Risk Factors" in Item 1A. of this Annual Report on Form 10-K for a more complete discussion of the risks of an investment in the Company's securities.

This Annual Report on Form 10-K includes registered trademarks, trade names and service marks of the Company and its subsidiaries.

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PART I

Item 1. Business.

We are the largest metals service center company in North America (U.S. and Canada). Our network of metals service centers operates more than 240 locations in 38 states in the U.S. and in ten other countries (Australia, Belgium, Canada, China, Malaysia, Mexico, Singapore, South Korea, the U.A.E. and the United Kingdom). Through this network, we provide metals processing services and distribute a full line of more than 100,000 metal products, including alloy, aluminum, brass, copper, carbon steel, stainless steel, titanium and specialty steel products, to more than 125,000 customers in a broad range of industries. Many of our metals service centers process and distribute only specialty metals. We deliver a variety of products from facilities located across the United States and Canada, and have grown our international presence to support the globalization of our customers, giving us broad product, customer and geographic diversification.

Our primary business strategy is to enhance our operating results through organic growth activities and strategic acquisitions to enhance our product, customer and geographic diversification. We focus on improving the operating performance at acquired locations by integrating them into our operational model and providing them access to capital and human resources needed for growth that they generally lacked before. We believe our focused growth strategy of diversifying our products, customers and geographic locations makes us less vulnerable to regional or industry specific economic volatility and has somewhat lessened the negative impact of the recent economic recessions we have experienced. We also believe that our growth and diversification strategy has been instrumental in our ability to produce industry-leading operating results among publicly traded metals service center companies in North America. We generated 2012 net sales of $8.44 billion and net income attributable to Reliance of $403.5 million.

Industry Overview

Metals service centers acquire products from primary metals producers and then process carbon steel, aluminum, stainless steel and other metals to meet customer specifications using techniques such as blanking, leveling (or cutting-to-length), sawing, shape cutting, shearing and slitting, among others. These processing services save our customers time, labor, and expense, reducing their overall manufacturing costs. Specialized equipment used to process the metals requires high-volume production to be cost effective. Many manufacturers and their suppliers are not able or willing to invest in the necessary technology, equipment, and inventory to process the metals for their own manufacturing or processing operations. Accordingly, industry dynamics have created a niche in the market. Metals service centers purchase, process, and deliver metals to end-users in a more efficient and cost-effective manner than the end-user could achieve by dealing directly with the primary producer or with an intermediate metals processor. Service centers comprise the largest customer group for North American mills, buying and reselling almost 50% of all the carbon, alloy, stainless and specialty steels, aluminum, copper, brass and bronze, and superalloys produced in the United States according to a report issued by IBISWorld Inc. in September 2012.

Metals service centers are generally less susceptible to market cycles than producers of the metals because service centers are usually able to pass on all or a portion of increases in metal costs to their customers, unless they are selling to their customers on a contractual basis. We believe that service center companies, like Reliance, with emphasis on rapid inventory turnover and minimal contract sales are generally the least vulnerable to changing metals prices.

Customers purchase from service centers to obtain value-added metals processing, readily available inventory, reliable and timely delivery, flexible minimum order size, and quality control. Many customers deal exclusively with service centers because the quantities of metal products that they purchase are smaller than the minimum orders specified by mills or because those customers require intermittent deliveries over long or irregular periods. Metals service centers respond to a niche market created because

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of the focus on just-in-time inventory management and materials management outsourcing in the capital goods and related industries, and because the larger metal producers have reduced in-house direct sales efforts to small sporadic purchasers to enhance their production efficiency.

The metals service center industry is highly fragmented and intensely competitive within localized areas or regions. Many of our competitors operate single stand-alone service centers. According to IBISWorld Inc., the number of metal wholesale centers in the United States decreased from approximately 11,000 locations operated by 8,300 companies in 2002 to approximately 9,900 locations operated by more than 6,500 companies in 2011. This consolidation trend continues to create opportunities for us to expand by making acquisitions.

According to IBISWorld Inc., the United States metals wholesale industry generated revenues of approximately $192.0 billion in 2011, a 6% increase over 2010 revenues of $180.9 billion. The four largest U.S. metals service center companies represented less than 10% of the estimated $192.0 billion industry total in 2011. While we continue to be the largest metals service center in the United States on a revenue basis, our 2011 U.S. revenues of $7.65 billion accounted for about 4.0% of the entire U.S. market in 2011 according to IBISWorld Inc.

History of Reliance

Reliance Steel & Aluminum Co. was organized as a California corporation on February 3, 1939, and commenced business in Los Angeles, California fabricating steel reinforcing bar. Within ten years, we had become a full-line distributor of steel and aluminum, operating a single metals service center in Los Angeles. In the early 1950's, we automated our materials handling operations and began to provide processing services to meet our customers' requirements. In the 1960's, we began to acquire other companies to establish additional service centers, expanding into other geographic areas.

In the mid-1970's, we began to establish specialty metals centers stocked with inventories of selected metals such as aluminum, stainless steel or brass and copper, and equipped with automated materials handling and precision cutting equipment specific to the selected metals. We have continued to expand our network, with a focus on servicing our customers as opposed to merely distributing metal. In the mid-1990's we began to expand nationally and focused on acquiring well-run, profitable service center companies. We have continued that strategy and have become the largest North American (U.S. and Canada) metals service center company based on revenues, with over 240 locations and 2012 net sales of $8.44 billion. Although we continue to expand the types of metals that we sell and the processing services that we perform, we have not diversified outside of our core business and we strive to consistently perform as one of the best in our industry. We focus on smaller customers and order sizes with quick turnarounds generally in local areas and currently operate metals service centers under the following trade names:

Trade Name	No. of Locations	Primary Products Processed & Distributed
Reliance Divisions		
Affiliated Metals	*1*	*Plate and flat-rolled aluminum and stainless steel*
Bralco Metals	*6*	*Aluminum, brass, copper and stainless steel*
Central Plains Steel Co.	*1*	*Carbon steel bar, flat-rolled, plate, structural and tubing*
Lusk Metals	*1*	*Precision cut aluminum plate and aluminum sheet and extrusions*
MetalCenter	*1*	*Flat-rolled aluminum and stainless steel*
Olympic Metals	*1*	*Aluminum, brass, copper and stainless steel*

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Trade Name	No. of Locations	Primary Products Processed & Distributed
Reliance Metalcenter	*7*	*Variety of carbon steel and non-ferrous metal products*
Reliance Steel Co.	*2*	*Carbon steel flat-rolled and plate*
Tube Service Co.	*6*	*Specialty tubing*
Airport Metals (Australia)	*1*	*Aluminum sheet and alloy bar and tube*
***Allegheny Steel Distributors, Inc*.**	*1*	*Carbon steel flat-rolled and plate*
***Aluminum and Stainless, Inc*.**	*2*	*Aluminum and stainless steel sheet, plate and bar*
American Metals Corporation		
American Metals	*3*	*Carbon steel bar, flat-rolled, plate, structural and tubing*
American Steel	*2*	*Carbon steel bar, flat-rolled, plate, structural and tubing*
Lampros Steel	*3*	*Carbon structural, tubing, and plate*
***AMI Metals, Inc*.**		
AMI Metals	*6*	*Heat-treated aluminum sheet and plate*
AMI Metals UK, Ltd.	*1*	*Heat-treated aluminum sheet and plate*
AMI Metals Europe SPRL.	*1*	*Heat-treated aluminum sheet and plate*
***CCC Steel, Inc*.**		
CCC Steel	*1*	*Carbon steel bar, plate, structural and tubing*
IMS Steel	*1*	*Carbon steel bar, plate, structural and tubing*
***Chapel Steel Corp*.**	*5*	*Carbon steel plate*
Chatham Steel Corporation	*6*	*Carbon and stainless steel*
***Clayton Metals, Inc*.**	*3*	*Aluminum and stainless steel flat-rolled products and custom extrusions*
***Continental Alloys & Services Inc*.**		
Continental Alloys & Services	*6*	*Specialty bar, pipe and tubing*
Continental Alloys & Services (Dubai)	*1*	*Specialty bar, pipe and tubing*
Continental Alloys & Services (Malaysia) Sdn. Bhd.	*1*	*Specialty bar, pipe and tubing*
Continental Alloys & Services (Mexico).	*1*	*Specialty bar, pipe and tubing*
Continental Alloys & Services Pte. Ltd. (Singapore)	*1*	*Specialty bar, pipe and tubing*
Continental Valve & Fittings	*2*	*Valves and fittings*
Crest Steel Corporation	*2*	*Carbon steel flat-rolled, plate, bar and structural*
***Delta Steel, Inc*.**		
Delta Steel	*4*	*Carbon steel bar, flat-rolled, plate, structural and tubing*
Smith Pipe & Steel Company	*1*	*Carbon steel bar, flat-rolled, plate, structural and tubing*
Diamond Manufacturing Company		
Diamond Manufacturing	*3*	*Perforated flat-rolled aluminum, stainless steel and carbon steel*
Dependable Punch	*1*	*Metal fabrication*

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Trade Name	No. of Locations	Primary Products Processed & Distributed
McKey Perforating Co., Inc.	*1*	*Perforated flat-rolled aluminum, stainless steel and carbon steel*
McKey Perforated Products Co., Inc.	*1*	*Perforated flat-rolled and tubular aluminum, stainless steel and carbon steel*
Perforated Metals Plus	*1*	*Perforated flat-rolled aluminum, stainless steel and carbon steel*
***Durrett Sheppard Steel Co., Inc*.**	*1*	*Carbon steel bar, flat-rolled, plate, structural and tubing*
Earle M. Jorgensen Company		
Earle M. Jorgensen	*30*	*Specialty bar and tubing*
Earle M. Jorgensen (Malaysia) Sdn. Bhd.	*1*	*Carbon, stainless and alloy bar and tube*
Encore Metals USA	*3*	*Stainless and alloy bar, plate and tube*
Steel Bar	*1*	*Carbon steel bars and tubing*
Everest Metals (Suzhou) Co., Ltd	*1*	*Aluminum plate and bar*
Feralloy Corporation		
Feralloy	*5*	*Flat-rolled carbon steel service centers*
Acero Prime S. de R.L. de C.V. (40%-owned)	*3*	*Toll processing (slitting and leveling) of carbon steel*
Feralloy Processing Company (51%-owned)	*1*	*Toll processing (leveling and blanking) of carbon steel*
GH Metal Solutions, Inc.	*1*	*Metal fabrication*
Indiana Pickling & Processing (56%-owned)	*1*	*Toll processing (pickling) of carbon steel*
Oregon Feralloy Partners (40%-owned)	*1*	*Toll processing (leveling and blanking) of carbon steel*
***Infra-Metals Co*.**	*5*	*Carbon steel bar, plate, structural and tubing*
***Liebovich Bros., Inc*.**		
Liebovich Steel & Aluminum Company	*3*	*Full-line service centers*
Custom Fab Company	*1*	*Metal fabrication*
Good Metals Company	*1*	*Tool and alloy steels*
Hagerty Steel & Aluminum Company	*2*	*Plate and flat-rolled carbon steel*
***Metals Supply Company, Ltd*.**	*2*	*Carbon steel bar, flat-rolled, plate, structural and tubing*
Metalweb Limited	*4*	*Aluminum sheet, plate and bar*
***National Specialty Alloys, Inc*.**	*5*	*Stainless and nickel alloy bar and tube*
Pacific Metal Company	*6*	*Aluminum and coated carbon steel*
***PDM Steel Service Centers, Inc*.**	*9*	*Carbon steel bar, flat-rolled, plate, structural and tubing*
Phoenix Corporation		
Phoenix Metals Company	*13*	*Flat-rolled aluminum, stainless steel and coated carbon steel*
***Precision Flamecutting and Steel, Inc*.**	*1*	*Carbon, alloy, and HSLA steel plate*

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Trade Name	No. of Locations	Primary Products Processed & Distributed
***Precision Strip, Inc*.**	*11*	*Toll processing (slitting, leveling, blanking) of aluminum, stainless steel and carbon steel*
Reliance Metalcenter Asia Pacific Pte. Ltd. (Singapore)	*1*	*Aluminum plate, sheet and coil*
Reliance Metals Canada Limited		
Earle M. Jorgensen (Canada)	*5*	*Specialty bar and tubing*
Encore Metals	*4*	*Stainless and alloy bar, plate and tube*
Team Tube	*5*	*Alloy and carbon steel tubing*
***Service Steel Aerospace Corp*.**		
Service Steel Aerospace	*2*	*Stainless and alloy specialty steels*
Dynamic Metals International	*1*	*Maraging and specialty steels*
United Alloys Aircraft Metals	*1*	*Titanium products*
***Siskin Steel & Supply Company, Inc*.**		
Siskin Steel	*5*	*Full-line service centers*
Athens Steel	*1*	*Carbon steel structural, flat-rolled and ornamental iron*
East Tennessee Steel Supply	*1*	*Carbon steel plate, bar and structural*
Industrial Metals and Surplus/Georgia Steel	*1*	*Carbon steel structural, flat-rolled and ornamental iron*
***Sunbelt Steel Texas, Inc*.**	*2*	*Specialty bar and heavy-wall tubing*
Sugar Steel Corporation	*2*	*Carbon steel bar, plate, structural and tubing*
***Toma Metals, Inc*.**	*1*	*Stainless steel sheet and coil*
Valex Corp. (97%-owned)		
Valex	*1*	*Electropolished stainless steel tubing and fittings*
Valex China Co., Ltd. (92%-owned)	*1*	*Electropolished stainless steel tubing and fittings*
Valex Korea Co., Ltd. (94%-owned)	*1*	*Electropolished stainless steel tubing and fittings*
***Viking Materials, Inc*.**	*2*	*Flat-rolled aluminum, stainless steel and coated carbon steel*
***Yarde Metals, Inc*.**	*8*	*Aluminum and stainless steel plate, rod and bar*

We serve our customers primarily by providing quick delivery, metals processing and inventory management services. We purchase a variety of metals from primary producers and sell these products in small quantities based on our customers' needs. We performed metals processing services, or first-stage processing, on approximately 40% of our sales orders in 2012 before distributing the product to manufacturers and other end-users. For approximately 40% of our 2012 orders, we delivered the metal to our customer within 24 hours from receipt of an order. These services save time, labor, and expense for our customers and reduce their overall manufacturing costs. During 2012, we handled approximately 5,153,000 transactions in total or 20,500 transactions per business day, with an average price of approximately $1,640 per transaction. Our net sales during 2012 were $8.44 billion. We believe that our focus on small orders with quick turnaround differentiates us from many of the other large metals service center companies and allows us to better service our customers, resulting in higher profits than those generated by the other large metals service center companies.

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Historically, we have expanded both through acquisitions and internal growth. Since our initial public offering in September 1994, we have successfully purchased more than 50 businesses. From 1984 to September 1994, we acquired 20 businesses. Our internal growth activities during the last few years have been at historically high levels for us and have included the opening of new facilities, adding to our processing capabilities and relocating existing operations to larger, more efficient facilities. We will continue to evaluate acquisition opportunities and we expect to continue to grow our business through acquisitions and internal growth initiatives, particularly those that will diversify our products, customer base and geographic locations.

Recent Developments

In February 2013, we entered into a definitive merger agreement to acquire all the outstanding shares of Metals USA Holdings Corp. ("Metals USA") for $20.65 per share in cash for a total equity purchase price of approximately $786 million and assumption of approximately $452 million of debt, for a total enterprise value of approximately $1.2 billion. The transaction is expected to close in the second quarter of 2013. Metals USA's total assets as of December 31, 2012 and sales for the year then ended were approximately $1.0 billion (unaudited) and $2.0 billion (unaudited), respectively.

The transaction has been unanimously approved by the respective Boards of Directors of Reliance and Metals USA. The transaction is subject to approval by Metals USA stockholders, along with the receipt of regulatory clearances and the satisfaction of other customary closing conditions, and includes a 30-day "go-shop" period. We anticipate funding the transaction with borrowings on our revolving credit facility, together with funds obtained from accessing the bank credit and debt capital markets.

2012 Acquisitions

Effective October 1, 2012, through our wholly owned subsidiary Feralloy Corporation ("Feralloy"), we acquired all the outstanding capital stock of GH Metal Solutions, Inc. (formerly known as The Gas House, Inc.) ("GH"), a value added processor and fabricator of carbon steel products, that will allow Feralloy to better serve the increasing demands of its diverse customer base. GH, located in Fort Payne, Alabama, was founded in 1958 and has grown its processing equipment to include flat-bed lasers, tube lasers, torches, shears, automatic band saws, CNC press brakes, coil-fed and hand-fed stampers, robotic and manual welders, and a painting line. GH operates as a wholly owned subsidiary of Feralloy and had net sales of $12.6 million for the three months ended December 31, 2012.

Effective October 1, 2012, we acquired all the outstanding limited liability company interests of Sunbelt Steel Texas, LLC ("Sunbelt"), a value added distributor of special alloy steel bar and heavy-wall tubing products to the oil and gas industry. Sunbelt was founded in 1986 and is headquartered in Houston, Texas with an additional location in Lafayette, Louisiana. Sunbelt increases our growing exposure to the energy market in high end, niche products serving customers across multiple oil and gas well drilling types, including vertical, horizontal, directional, and deepwater drilling applications. Sunbelt had net sales of $12.5 million for the three months ended December 31, 2012.

On July 6, 2012, we acquired substantially all of the assets of Airport Metals (Australia) Pty Ltd., a subsidiary of Samuel Son & Co., Limited, through our newly-formed subsidiary Bralco Metals (Australia) Pty Ltd. ("Airport Metals"). Airport Metals, based in Melbourne, operates as a stocking distributor of aircraft materials and supplies. The addition of Airport Metals is our first entry into Australia and enhances our ability to service important aerospace customers in that area. Net sales of Airport Metals during the period from July 6, 2012 through December 31, 2012 were $1.4 million.

Effective April, 27, 2012, through our wholly owned subsidiary Precision Strip, Inc. ("PSI"), we acquired the assets of the Worthington Steel Vonore, Tennessee plant, a processing facility owned by Worthington Industries, Inc. The Vonore plant operates as a PSI location which processes and delivers carbon steel, aluminum and stainless steel products on a "toll" basis, processing the metal for a fee without

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taking ownership of the metal. The addition of the Vonore location to PSI's existing footprint of facilities allows PSI to better service its customer base in an important geographic area of the country. The Vonore location's net sales during the period from April 27, 2012 through December 31, 2012 were $1.6 million.

Effective April 3, 2012, we acquired all the outstanding limited liability company interests of National Specialty Alloys, LLC ("NSA"), a global specialty alloy processor and distributor of premium stainless steel and nickel alloy bars and shapes, headquartered in Houston, Texas. In addition to enhancing our existing product offerings with the addition of specialty stainless steel and nickel products, NSA also expands and complements our growing exposure to the energy market. NSA was founded in 1985 and has additional locations in Anaheim, California; Buford, Georgia; Tulsa, Oklahoma and Mexico City, Mexico. Net sales of NSA during the period from April 3, 2012 through December 31, 2012 were $68.0 million.

Effective February 1, 2012, through our wholly owned subsidiary Diamond Manufacturing Company, we acquired McKey Perforating Co., Inc. ("McKey"), headquartered in New Berlin, Wisconsin and its subsidiary, McKey Perforated Products Co., Inc., located in Manchester, Tennessee. McKey was founded in 1867 and provides a full range of metal perforating and fabrication services to customers located primarily in the U.S. McKey and Diamond Manufacturing Company are working together to leverage their combined expertise in the perforated metal market and further expand our presence within that market. McKey had net sales of $18.6 million for the eleven months ended December 31, 2012.

Internal Growth Activities

We continued to emphasize organic growth by opening new facilities, building or expanding existing facilities and adding processing equipment with total capital expenditures of $214.0 million in 2012, our highest annual spend to-date. During 2012 we also consolidated and closed a few small operations that did not impact our ability to service our customers.

Our 2013 capital expenditure budget is approximately $180 million with much of this related to internal growth activities comprised of purchases of equipment and new facilities along with expansions of existing facilities. We also plan to move out of various leased facilities and into newly built and/or purchased ones. We will continue to evaluate and execute additional growth projects as appropriate, given the economic conditions and outlook at the time. We have the ability to significantly scale back our capital expenditures, if needed.

Operational Strategy

Our executive officers maintain a control environment that is focused on integrity and ethical behavior, establish general policies and operating guidelines and monitor adherence to proper financial controls, while our division managers and subsidiary officers have autonomy with respect to day-to-day operations. This balanced, yet entrepreneurial, management style has enabled us to improve the productivity and profitability both of acquired businesses and of our own expanded operations. Key management personnel are eligible for incentive compensation based, in part, on the profitability of their particular division or subsidiary and, in part, on the Company's overall profitability.

We seek to increase our profitability by expanding our existing operations and acquiring businesses that diversify or enhance our customer base, product range, processing services and geographic coverage. We have developed and maintained an excellent reputation in the industry for our integrity and the quality and timeliness of our service to customers.

Customers and Markets

Our customers purchase from us and other metals service centers to obtain value-added metals processing, readily available inventory, reliable and timely delivery, flexible minimum order size and quality control. Many of our customers deal exclusively with service centers because the quantities of metal

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products that they purchase are smaller than the minimum orders specified by mills, because those customers require intermittent deliveries over long or irregular periods, or because those customers require specialized processing services. We believe that metals service centers have also enjoyed an increasing share of total metal shipments due to the focus of the capital goods and other manufacturing industries on just-in-time inventory management and materials management outsourcing, and because metal producers have reduced in-house direct sales efforts to small sporadic purchasers in order to enhance their production efficiency. The consolidation of carbon steel mills that occurred during the 2001 to 2003 period further reduced the number of potential sources of metal available to customers purchasing small quantities of metal.

We have more than 125,000 customers in various industries. Our customers are manufacturers and end-users in the general manufacturing, non-residential construction, transportation (rail, truck trailer and shipbuilding), aerospace, energy, electronics and semiconductor fabrication and related industries. In 2003, many of our suppliers also became our customers as a result of our purchase of Precision Strip Inc., which typically sells processing services, but not metal, to larger customers, such as mills and original equipment manufacturers ("OEM's"), and in larger annual volumes than we have experienced historically. Precision Strip also has indirectly increased our participation in the auto and appliance end markets with the auto exposure primarily relating to the processing and delivery of metal for the transplants, or "New Domestic" companies.

Our metals service centers wrote and delivered over 5,153,000 orders during 2012 at an average price of approximately $1,640 per order. Most of our metals service center customers are located within a 200-mile radius of the metals service center serving them. The proximity of our service centers to our customers helps us provide just-in-time delivery to our customers as well as increases the likelihood of repeat business. In 2012, approximately 96% of our orders were from repeat customers. With our fleet of approximately 1,550 trucks (some of which are leased), we are able to service many smaller customers. Moreover, our computerized order entry systems and flexible production scheduling enable us to meet customer requirements for short lead times and just-in-time delivery. We believe that our long-term relationships with many of our customers significantly contribute to the success of our business. Due to increased volatility and uncertainty in metal costs in recent years, more customers have migrated to smaller, more frequent purchases of metal so they can maintain lean inventories, which fits our operating model. Providing prompt and efficient services and quality products at reasonable prices are important factors in maintaining and expanding these relationships.

Our acquisitions in recent years have increased our international exposure both from a customer and physical location perspective. In addition, we have built and opened international locations in recent years to service specific industries, typically to support key customers that are operating in those international markets. Net sales of our international locations (based on where the shipments originated) accounted for approximately 7% of our 2012 net sales, or $581 million. However, our net sales to international customers (based on the shipping destination) were approximately 10% of our 2012 net sales or $873 million, with approximately 53% of these sales, or $462 million, to Canadian customers. See Note 1 of the Notes to the Consolidated Financial Statements for further information on U.S. and foreign revenues and assets.

Customer demand may change from time to time based on, among other things, general economic conditions and industry capacity. Many of the industries in which our customers compete are cyclical in nature. Because we sell to a wide variety of customers in many industries, we believe that the effect of such changes on us is significantly reduced. In addition, many of our customers are small job shops and fabricators who also have a diverse customer base and have the versatility to service different end markets when an existing market slows.

In general, business activity in most all of our markets served was better in 2012 than in the same period in 2011 with the exception of the 2012 fourth quarter, when our same store volumes declined by 5.1% from the same period in 2011. Overall, our same-store tons shipped in 2012 were up by 3.4% from

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2011 levels. In 2012, most major industries we serve experienced improved demand, including our strongest end markets of aerospace, farm and heavy equipment, and auto (through our toll processing businesses). The energy (oil and gas) market, although down from 2011 levels, still continues to be one of our strongest. Non-residential construction volumes increased moderately in 2012 over 2011 levels, but lagged the improvements seen in other markets and currently remain below historic levels. We believe non-residential construction is our largest end market and represents about 30% of our business.

The diversity of our customer base somewhat reduces the impact of any single customer as our largest customer represented only 1.1% of our sales in 2012. We had 15 customers with 2012 annual sales to them greater than $25 million.

The geographic breakout of our sales based on the location of our metals service center facilities in each of the three years ended December 31 was as follows:

	2012	2011	2010
Midwest	26%	27%	28%
Southeast	17%	17%	18%
West/Southwest	19%	17%	15%
California	11%	11%	12%
Northeast	7%	7%	8%
International	7%	6%	5%
Mid-Atlantic	5%	6%	6%
Pacific Northwest	5%	5%	5%
Mountain	3%	4%	3%
Total	100%	100%	100%

Suppliers

We purchase our inventory primarily from the major domestic metals mills; however we do purchase certain products from foreign mills. We have multiple suppliers for all of our product lines. Our major suppliers of domestic carbon steel products include ArcelorMittal, California Steel Industries, Inc., Evraz NA, Gerdau, Nucor Corporation, Steel Dynamics, Inc., SSAB and United States Steel Corporation. AK Steel, Allegheny Technologies Incorporated, North American Stainless and Outokumpu supply stainless steel products. We are a recognized distributor for various major aluminum companies, including Alcoa Inc., Aleris International, Inc., Constellium Global ATI, Kaiser Aluminum Corp., Novelis Inc. and Sapa Group.

From 2001 through 2003, many domestic steel mills entered bankruptcy proceedings, which resulted in significant consolidation. Due to somewhat improved demand, U.S. carbon steel mills are now operating at 70-80% of capacity, up from less than 50% in 2009, but well below 2008 and pre-recession levels. Limited imports to the U.S. and increased raw material costs have generally supported higher prices for carbon steel since 2004. However, U.S. prices are currently higher than most other parts of the world for many products and imports have increased, which could pressure U.S. pricing downward. There has been significant volatility in carbon steel pricing since 2004, generally with wider swings than was experienced prior to this time, however, the low end of the pricing in each cycle has been well above pricing levels prior to 2004.

Because of our total volume of purchases and our long-term relationships with our suppliers, we believe that we are generally able to purchase inventory at the best prices offered by the suppliers, given the order size. We believe that we are not dependent on any one of our suppliers for metals. From 2004 to 2008, when the supply of certain metals was tight, we believe that these relationships provided an advantage to us in our ability to source product and have it available for our customers. We believe our size

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and strong relationships with our suppliers are now more important because mill consolidation has reduced the number of suppliers.

Backlog

Because of the just-in-time delivery and the short lead-time nature of our business, we do not believe information on our backlog of orders is material to an understanding of our business.

Products and Processing Services

We provide a wide variety of processing services to meet our customers' specifications and deliver products to fabricators, manufacturers and other end users. We maintain a wide variety of products in inventory. We often deliver orders that do not require extensive or specialized processing to the customer within 24 hours of receiving the order. Our product mix has changed mainly as a result of our acquisitions, which tend to be focused on more specialized items as opposed to pure commodity products. Flat-rolled carbon steel products (i.e., hot-rolled, cold-rolled and galvanized steel sheet and coil), which generally have the most volatile and competitive pricing, accounted for only 11% of our 2012 sales.

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Our sales dollars by product type as a percentage of total sales in each of the three years ended December 31 were as follows:

	2012	2011	2010	
	13%	13%	12%	carbon steel plate
	10%	10%	10%	carbon steel tubing
	9%	10%	10%	carbon steel structurals
	8%	9%	9%	carbon steel bar
	6%	6%	5%	hot-rolled steel sheet and coil
	3%	3%	4%	galvanized steel sheet and coil
	2%	2%	2%	cold-rolled steel sheet and coil
Carbon Steel	51%	53%	52%	
	6%	6%	7%	aluminum bar and tube
	4%	4%	5%	heat-treated aluminum plate
	3%	3%	4%	common alloy aluminum sheet and coil
	1%	1%	1%	common alloy aluminum plate
	1%	1%	1%	heat-treated aluminum sheet and coil
Aluminum	15%	15%	18%	
	8%	8%	8%	stainless steel bar and tube
	5%	5%	6%	stainless steel sheet and coil
	2%	2%	2%	stainless steel plate
Stainless Steel	15%	15%	16%	
	7%	6%	6%	alloy bar and rod
	4%	3%	1%	alloy tube
	1%	1%	1%	alloy plate, sheet and coil
Alloy	12%	10%	8%	
	2%	2%	2%	toll processing of aluminum, carbon steel and stainless steel
	5%	5%	4%	miscellaneous, including brass, copper and titanium
Total	100%	100%	100%	

We are not dependent on any particular customer group or industry because we process and distribute a variety of metals. This diversity of product type and material reduces our exposure to fluctuations or other weaknesses in the financial or economic stability of particular customers or industries. We are also less dependent on particular suppliers.

For sheet and coil products, we purchase coiled metal from primary producers in the form of a continuous sheet, typically 36 to 60 inches wide, between .015 and .25 inches thick, and rolled into 3- to 20-ton coils. The size and weight of these coils require specialized equipment to move and process the coils into smaller sizes and various products. Many of the other products that we carry also require specialized equipment. Few of our customers have the capability to process the metal into the desired sizes.

After receiving an order, we enter it into one of our computerized order entry systems, select appropriate inventory and schedule the processing to meet the specified delivery date. In 2012, we delivered approximately 40% of our orders within 24 hours of the customer placing the order with us. We

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attempt to maximize the yield from the various metals that we process by combining customer orders to use each product that we purchase to the fullest extent practicable.

Few metals service centers offer the full scope of processing services and metals that we provide. In addition to a focus on growing in specialty products, we have also enhanced the level of value-added services with recent acquisitions. Diamond Manufacturing was our first entry into perforating metal for our customers and we expanded this with our purchase of McKey. Continental Alloys provides more complex machining and threading of products than we typically perform, generating higher margins. GH added new processing capabilities such as a painting line and stamping presses and significantly increased our metal cutting capabilities with a variety of laser machines and automatic band saws. We have also significantly upgraded and expanded our processing capabilities with significant investments in new equipment over the past few years.

In 2012, we performed processing services for approximately 40% of our sales orders. Our primary processing services range from cutting, leveling or sawing to complete processes such as machining or electropolishing. Throughout our service centers we perform most processes provided in the industry, without encroaching upon the services performed by our customers.

We generally process specific metals to non-standard sizes only at the request of customers pursuant to purchase orders. We do not maintain a significant inventory of finished products, but we carry a wide range of metals to meet the short lead time and just-in-time delivery requirements of our customers. Our metals service centers maintain inventory and equipment selected to meet the needs of that facility's customers.

Marketing

As of December 31, 2012, we had approximately 1,770 sales personnel located in 43 states and twelve countries that provide marketing services throughout each of those areas, as well as nearby locations. The sales personnel are organized by division or subsidiary among our profit centers and are divided into two groups. Our outside sales personnel are considered those personnel who travel throughout a specified geographic territory to maintain relationships with our existing customers and develop new customers. Those sales personnel who remain at the facilities to write and price orders are our inside sales personnel. The inside sales personnel generally receive incentive compensation, in addition to their base salary, based on the gross profit and/or pretax profit of their particular profit center. The outside sales personnel generally receive incentive compensation based on the gross profit from their particular geographic territories.

Competition

The metals distribution industry is highly fragmented and competitive. We have numerous competitors in each of our product lines and geographic locations, and competition is most frequently local or regional. Our competitors are smaller than we are, but we still face strong competition from national, regional and local independent metals distributors and the producers themselves, some of which have greater resources than we do. As reported by IBISWorld Inc. in their September 2012 report on the metals service center industry, it is estimated that there were approximately 9,900 metal wholesale locations in the United States operated by approximately 6,500 companies in 2011. The four largest U.S. metals service center companies represented less than 10% of the estimated $192.0 billion industry total in 2011. Our U.S. revenues of $7.65 billion in 2011 accounted for about 4.0% of the entire U.S. market. We believe we continue to be the largest North American (U.S. and Canada) metals service center company on a revenue basis.

We compete with other companies on price, service, quality and availability of products. We maintain centralized relationships with our major suppliers and a decentralized operational structure. We believe that this division of responsibility has increased our ability to obtain competitive prices of metals and to provide more responsive service to our customers. In addition, we believe that the size of our inventory, the different metals and products we have available, and the wide variety of processing services we provide distinguish us from our competition. We believe that we have increased our market share during recent years due to our strong financial condition, our high quality of products and services, and our acquisitions, as well as our continued focus on small order sizes with quick turnaround.

Quality Control

Procuring high quality metal from suppliers on a consistent basis is critical to our business. We have instituted strict quality control measures to assure that the quality of purchased raw materials will enable us to meet our customers' specifications and to reduce the costs of production interruptions. In certain instances, we perform physical and chemical analyses on selected raw materials, typically through a third party testing lab, to verify that their mechanical and dimensional properties, cleanliness and surface characteristics meet our requirements and our customers' specifications. We also conduct certain analyses of surface characteristics on selected processed metal before delivery to the customer. We believe that maintaining high standards for accepting metals ultimately results in reduced return rates from our customers.

We maintain various quality certifications throughout our operations with about half of our operating locations being ISO 9001:2008 certified. Many of our locations maintain additional certifications specific to the industries they serve, such as aerospace, auto, nuclear, and others, including certain international certifications.

Systems

We maintain various software applications across our operations that are tailored to the specific needs of those operations. Generally, these systems provide information in real time, such as inventory availability, location and cost and are customized with features to accommodate the products the respective operations carry, automated equipment interfaces, or other specialized needs. With this information, our marketing and sales personnel can respond to our customers' needs more efficiently and more effectively.

A common financial reporting system, as well as certain other accounting, tax and HRIS packages are used company-wide. We have also initiated efforts to allow us to identify the appropriate system solutions to provide a common ERP platform across our operating companies and to develop more efficient means of consolidating data. This is a multi-phased, multi-year project that will be pursued and implemented in a manner to limit both operational and financial risk.

Government Regulation

Our metals service centers are subject to many foreign, federal, state and local requirements to protect the environment, including hazardous waste disposal and underground storage tank regulations. The only hazardous substances that we generally use in our operations are lubricants, cleaning solvents and petroleum for fueling our trucks. We pay state-certified private companies to haul and dispose of our hazardous waste.

Our operations are also subject to laws and regulations relating to workplace safety and worker health, principally the Occupational Health and Safety Act and related regulations, which, among other requirements, establish noise, dust and safety standards. We maintain comprehensive health and safety policies and encourage our employees to follow established safety practices. We encourage social well-being by instituting these high quality labor, health and safety standards. We do not anticipate that future compliance with such laws and regulations will have a material adverse effect on our results of operations or financial condition.

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Certain of our operations sell metal to foreign customers, subjecting us to various export compliance, the Foreign Corrupt Practices Act ("FCPA") and other regulations. We have implemented company-wide export compliance and FCPA training and compliance programs to monitor adherence to our policies and to provide appropriate training to our operating personnel. Although the amount of our sales that are subject to export compliance, FCPA and other regulations may only be a small percentage of our total sales, penalties assessed to any violations in connection with these sales may be material. Although we have implemented policies and procedures to comply with these regulations, we cannot guarantee that we will not incur any violations and resulting penalties from such activity.

Environmental

Some of the properties we own or lease are located in industrial areas with histories of heavy industrial use. We may incur some environmental liabilities because of the location of these properties. In addition, we are currently involved with certain environmental remediation projects related to activities at former manufacturing operations of EMJ, our wholly owned subsidiary, that were sold many years prior to Reliance's acquisition of EMJ in 2006. Although the potential cleanup costs could be significant, EMJ had insurance policies in place at the time they owned the manufacturing operations that are expected to cover the majority of the related costs. We do not expect that these obligations will have a material adverse impact on our financial position, results of operations or cash flows.

We believe that all scrap metal produced by our operations is recycled by the independent scrap metal companies and producers that we sell to. We continue to evaluate and implement energy conservation and other initiatives to reduce pollution. If more stringent environmental regulations are enacted this could have an adverse impact on our financial results.

Employees

As of December 31, 2012, we had approximately 11,600 employees. Approximately 11% of the employees are covered by collective bargaining agreements, which expire at various times over the next five years. We have entered into collective bargaining agreements with 35 union locals at 41 of our locations. These collective bargaining agreements have not had a material impact either favorably or unfavorably on our revenues or profitability at our various locations. We have always maintained excellent relations with our employees. Over the years we have experienced minor work stoppages by our employees at certain of our locations, but due to the small number of employees and the short time periods involved, these stoppages have not had a material impact on our operations. We have never experienced a significant work stoppage.

Seasonality

Some of our customers are in seasonal businesses, especially customers in the construction industry and related businesses. As a result of our geographic, product and customer diversity, however, our operations have not shown any material seasonal trends. Revenues in the months of July, November and December traditionally have been lower than in other months because of a reduced number of working days for shipments of our products, resulting from vacation and holiday closures at some of our customers.

Available Information

We file annual, quarterly and current reports, proxy statements and other documents with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended ("the Exchange Act"). The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains a Website that contains reports, proxy information statements and other information regarding issuers, including our Company, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at *http://www.sec.gov*.

We also make available free of charge on or through our Internet Website (*http://www.rsac.com*) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Reference to our Website is not intended to incorporate anything on the Website into this report.

Item 1A. Risk Factors

Set forth below are the risks that we believe are material to our investors. Our business, results of operations and financial condition may be materially adversely affected due to any of the following risks. The risks described below are not the only ones we face. Additional risks of which we are not presently aware or that we currently believe are immaterial may also harm our business. This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements set forth at the beginning of this Report.

Risks Related to Our Business and Industry

Our indebtedness could impair our financial condition and reduce the funds available to us for other purposes and our failure to comply with the covenants contained in our debt instruments could result in an event of default that could adversely affect our operating results.

We have substantial debt service obligations. As of December 31, 2012, we had aggregate outstanding indebtedness of approximately $1.21 billion. This indebtedness could adversely affect us in the following ways:

- additional financing may not be available to us in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes and, if available, may be considerably more costly than our current debt costs;
- a significant portion of our cash flow from operations must be dedicated to the payment of interest and principal on our debt, which reduces the funds available to us for our operations or other purposes;
- some of the interest on our debt is, and will continue to be, accrued at variable rates, which may result in higher interest expense in the event of increases in interest rates, which may occur in future periods;
- because we may be more leveraged than some of our competitors, our debt may place us at a competitive disadvantage;
- our leverage may increase our vulnerability to economic downturns and limit our ability to withstand adverse events in our business by limiting our financial alternatives; and
- our ability to capitalize on significant business opportunities, including potential acquisitions, and to plan for, or respond to, competition and changes in our business may be limited.

Our existing debt agreements contain financial and restrictive covenants that limit our ability to incur additional debt, and to engage in other activities that we may believe are in our long-term best interests, including the disposition or acquisition of assets or other companies or the payment of dividends to our shareholders. Our failure to comply with these covenants may result in an event of default, which, if not cured or waived, could accelerate the maturity of our indebtedness or prevent us from accessing additional funds under our credit facility. If the maturity of our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and we may not be able to continue our operations as planned. See discussion regarding our financial covenants in the "Liquidity and Capital Resources" section of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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We may not be able to generate sufficient cash flow to meet our existing debt service obligations.

Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt obligations will depend on our future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control. For example, we may not generate sufficient cash flow from our operations or new acquisitions to repay amounts drawn under our revolving credit facility when it matures in 2016, our private notes when they mature in 2013 or our debt securities when they mature in 2016 and 2036. If we do not generate sufficient cash flow from operations or have availability to borrow on our credit facility to satisfy our debt obligations, we expect to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We may not be able to consummate any such transaction at all or on a timely basis or on terms, and for proceeds, that are acceptable to us. These transactions may not be permitted under the terms of our various debt instruments then in effect. Our inability to generate sufficient cash flow to satisfy our debt obligations or to timely refinance our obligations on acceptable terms could adversely affect our ability to serve our customers and could cause us to reduce or discontinue our planned operations.

The costs that we pay for metals fluctuate due to a number of factors beyond our control, and such fluctuations could adversely affect our operating results, particularly if we cannot pass on higher metal prices to our customers.

We purchase large quantities of aluminum, carbon, alloy and stainless steel and other metals, which we sell to a variety of end-users. The costs to us for these metals and the prices that we charge customers for our products may change depending on many factors outside of our control, including general economic conditions (both domestic and international), competition, production levels, raw material costs, customer demand levels, import duties and other trade restrictions, currency fluctuations and surcharges imposed by our suppliers. We attempt to pass cost increases on to our customers with higher selling prices but we may not always be able to do so, particularly when the cost increases are not demand driven.

We maintain substantial inventories of metal to accommodate the short lead times and delivery requirements of our customers. Our customers typically purchase products from us pursuant to purchase orders and typically do not enter into long-term purchase agreements or arrangements with us. Accordingly, we purchase metal in quantities we believe to be appropriate to satisfy the anticipated needs of our customers based on information derived from customers, market conditions, historic usage and industry research. Commitments for metal purchases are generally at prevailing market prices in effect at the time orders are placed or at the time of shipment. During periods of rising prices for metal, we may be negatively impacted by delays between the time of increases in the cost of metals to us and increases in the prices that we charge for our products if we are unable to pass these increased costs on to our customers immediately. In addition, when metal prices decline, this could result in lower selling prices for our products and, as we use existing inventory that we purchased at higher metal prices, lower margins. Consequently, during periods in which we sell this existing inventory, the effects of changing metal prices could adversely affect our operating results.

Our business could be adversely affected by economic downturns.

Demand for our products is affected by a number of general economic factors. A decline in economic activity in the U.S. and other markets in which we operate could materially affect our financial condition and results of operations. During the most recent U.S. economic recession, both demand for our products and pricing levels declined rapidly and significantly. In addition to reducing our direct business activity, many of our customers were not able to pay us amounts when they became due, further affecting our financial condition and results of operations. Although the U.S. recession has ended, overall demand for our products continues to be at lower levels than we believe to be more normal levels, particularly for non-residential construction activity. We have little visibility as to if or when demand will return to pre-recession levels, which may continue to threaten the financial viability of our customers and their ability to pay us and may cause our financial condition to worsen from current levels.

If the U.S. institutes austerity measures, including automatic sequesters, or is unable to raise its "debt ceiling", our business could be negatively impacted. Further, any significant deterioration in the global economy from current levels could also negatively impact our business.

The prices of metals are subject to fluctuations in the supply and demand for metals worldwide and changes in the worldwide balance of supply and demand could negatively impact our revenues, gross profit and net income.

Metal prices are volatile due to, among other things, fluctuations in foreign and domestic production capacity, raw material availability, metals consumption and foreign currency rates. Future changes in global general economic conditions or in production, consumption or export of metals could cause fluctuations in metal prices globally, which could adversely affect our revenues, gross profit and net income.

Additionally, significant currency fluctuations in the United States or abroad could negatively impact our cost of metals and the pricing of our products. A decline in the dollar relative to foreign currencies may result in increased prices for metals and metal products in the United States and reduce the amount of metal imported into the U.S. as imported metals become relatively more expensive. If the value of the dollar improves relative to foreign currencies, this may result in increased metal being imported into the U.S., which in turn may pressure existing domestic prices for metal. In addition, when prices for metal products in the U.S. are lower than in foreign markets, metals may be sold in the foreign markets rather than in the U.S., reducing the availability of metal products in the U.S., which may allow the domestic mills to increase their prices.

We operate in an industry that is subject to cyclical fluctuations and any downturn in general economic conditions or in our customers' specific industries could negatively impact our revenues, gross profit and net income.

The metals service center industry is cyclical and impacted by both market demand and metals supply. Periods of economic slowdown or recession in the United States or other countries, or the public perception that these may occur, could decrease the demand for our products and adversely affect our pricing. If either demand or pricing were to decline from the current levels, this could reduce our revenues, gross profit and net income.

We sell many products to industries that are cyclical, such as the non-residential construction, semiconductor, energy and transportation industries, including aerospace. Although many of our direct sales are to sub-contractors or job shops that may serve many customers and industries, the demand for our products is directly related to, and quickly impacted by, demand for the finished goods manufactured by customers in these industries, which may change as a result of changes in the general U.S. or worldwide economy, domestic exchange rates, energy prices or other factors beyond our control. If we are unable to accurately project the product needs of our customers over varying lead times or if there is a limited availability of products through allocation by the mills or otherwise, we may not have sufficient inventory to be able to provide products desired by our customers on a timely basis. In addition, if we are not able to diversify our customer base and/or increase sales of products to customers in other industries when one or more of the cyclical industries that we serve are experiencing a decline, our revenues, gross profit and net income may be adversely affected.

We compete with a large number of companies in the metals service center industry, and, if we are unable to compete effectively, our revenues, gross profit and net income may decline.

We compete with a large number of other general-line distributors and specialty distributors in the metals service center industry. Competition is based principally on price, inventory availability, timely delivery, customer service, quality and processing capabilities. Competition in the various markets in which we participate comes from companies of various sizes, some of which have more established brand names in the local markets that we serve. These competitors may be better able to withstand adverse changes in conditions within our customers' industries and may have greater operating and financial flexibility than we have. To compete for customer sales, we may lower prices or offer increased services at a higher cost, which could reduce our revenues, gross profit and net income. The significantly lower demand levels during 2009 and rapidly declining prices escalated competitive pressures, with service centers selling at substantially reduced prices, and sometimes at a loss, in an effort to reduce their high cost inventory and generate cash. These competitive pressures could intensify again if demand and particularly pricing decline significantly from current levels. Any increased competitive pressure could cause our revenues, gross profit and net income to decline further.

If we were to lose any of our primary suppliers or otherwise be unable to obtain sufficient amounts of necessary metals on a timely basis, we may not be able to meet our customers' needs and may suffer reduced sales.

We have few long-term contracts to purchase metals. Therefore, our primary suppliers of carbon steel, alloy steel, stainless steel, aluminum or other metals could curtail or discontinue their delivery of these metals to us in the quantities we need with little or no notice. Our ability to meet our customers' needs and provide value-added inventory management services depends on our ability to maintain an uninterrupted supply of high quality metal products from our suppliers. If our suppliers experience production problems, lack of capacity or transportation disruptions, the lead times for receiving our supply of metal products could be extended and the cost of our inventory may increase. If, in the future, we are unable to obtain sufficient amounts of the necessary metals at competitive prices and on a timely basis from our customary suppliers, we may not be able to obtain these metals from acceptable alternative sources at competitive prices to meet our delivery schedules. Even if we do find acceptable alternative suppliers, the process of locating and securing these alternatives may be disruptive to our business, which could have an adverse impact on our ability to meet our customers' needs and reduce our sales, gross profit and net income. In addition, if a significant domestic supply source is discontinued and we cannot find acceptable domestic alternatives, we may need to find foreign sources of supply. Using foreign sources of supply could result in longer lead times, increased price volatility, less favorable payment terms, increased exposure to foreign currency movements and certain tariffs and duties and require greater levels of working capital. Alternative sources of supply may not maintain the quality standards that are in place with our current suppliers that could impact our ability to provide the same quality of products to our customers that we have provided in the past, which could cause our customers to move their business to our competitors or to file claims against us, and such claims may be more difficult to pass through to foreign suppliers.

There has been significant consolidation at the metal producer level both globally and within the U.S. This consolidation has reduced the number of suppliers available to us, which could result in increased metals costs to us that we may not be able to pass on to our customers and may limit our ability to obtain the necessary metals to service our customers. The number of available suppliers may be further reduced if the general economy enters into another recession. Lower metal prices and lower demand levels caused certain mills to reduce their production capacity and, in many cases, to operate at a loss, which could cause one or more mills to discontinue operations if the losses continue over an extended period of time or if the mill cannot obtain the necessary financing to fund its operating costs.

We rely upon our suppliers as to the specifications of the metals we purchase from them.

We rely on mill certifications that attest to the physical and chemical specifications of the metal received from our suppliers for resale and generally, consistent with industry practice, do not undertake independent testing of such metals. We rely on our customers to notify us of any metal that does not conform to the specifications certified by the supplying mill. Although our primary sources of products have been domestic mills, we have and will continue to purchase product from foreign suppliers when we believe it is appropriate. In the event that metal purchased from domestic suppliers is deemed to not meet quality specifications as set forth in the mill certifications or customer specifications, we generally have

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recourse against these suppliers for both the cost of the products purchased and possible claims from our customers. However, such recourse will not compensate us for the damage to our reputation that may arise from sub-standard products and possible losses of customers. Moreover, there is a greater level of risk that similar recourse will not be available to us in the event of claims by our customers related to products from foreign suppliers that do not meet the specifications set forth in the mill certifications. In such circumstances, we may be at greater risk of loss for claims for which we do not carry, or do not carry sufficient, insurance.

If we do not successfully implement our growth strategy, our ability to grow our business could be impaired.

We may not be able to identify suitable acquisition candidates or successfully complete any acquisitions or integrate any other businesses into our operations. If we cannot identify suitable acquisition candidates or are otherwise unable to complete acquisitions, we are unlikely to sustain our historical growth rates, and, if we cannot successfully integrate these businesses, we may incur increased or redundant expenses. Moreover, any additional indebtedness we incur to pay for these acquisitions could adversely affect our liquidity and financial condition.

Furthermore, our organic growth activities have been at historically high levels for us in the last few years as we have invested a significant amount of capital in new locations and new processing capabilities. We may not realize the expected returns from these investments and our future financial performance may decline from current levels.

Acquisitions present many risks, and we may not realize the financial and strategic goals that were contemplated at the time of that transaction.

Historically, we have expanded both through acquisitions and internal growth. Since our initial public offering in September 1994, we have successfully purchased more than 50 businesses. From 1984 to September 1994, we acquired 20 businesses. We continue to evaluate acquisition opportunities and expect to continue to grow our business through acquisitions in the future. Risks we may encounter in acquisitions include:

- the acquired company may not further our business strategy, or we may pay more than it is worth;
- the acquired company may not perform as anticipated, which could result in an impairment charge or otherwise impact our results of operations;
- we may not realize the anticipated increase in our revenues if a larger than predicted number of customers decline to continue purchasing products from us;
- we may have to delay or not proceed with a substantial acquisition if we cannot obtain the necessary funding to complete the acquisition in a timely manner;
- we may significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition or assume existing debt of an acquired company, which, among other things, may result in a downgrade of our credit ratings;
- we may have multiple and overlapping product lines that may be offered, priced and supported differently, which could cause our gross profit margins to decline;
- we may have increased inventory exposure for a short time period if the acquired company has significant amounts of material on order;
- our relationship with current and new employees, customers and suppliers could be impaired;
- our due diligence process may fail to identify risks that could negatively impact our financial condition;

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- we may lose anticipated tax benefits or have additional legal or tax exposures if we have prematurely or improperly combined entities;
- we may face contingencies related to product liability, intellectual property, financial disclosures, tax positions and accounting practices or internal controls;
- the acquisition may result in litigation from terminated employees or third parties;
- our management's attention may be diverted by transition or integration issues; and
- we may be unable to obtain timely approvals from governmental authorities under competition and antitrust laws.

These factors could have a material adverse effect on our business, results of operations, financial condition or cash flows, particularly in the case of a larger acquisition or a number of acquisitions.

The pending acquisition of Metals USA if completed will be our largest public company acquisition and there may be risks of which we are not aware or existing risks may change over time.

The Metals USA acquisition, if completed, will be our largest acquisition and our second acquisition of a public company. Since the transaction is subject to approval by Metals USA stockholders, along with the receipt of regulatory clearances and the satisfaction of other customary closing conditions, and includes a 30-day "go-shop" period, there is a possibility that the acquisition will not be completed. If the Metals USA acquisition is completed, there may be risks associated with the acquisition that we are not aware of at the present time because of the complexities involved with the integration of a business of this size. After the acquisition, customers may choose to diversify their metals suppliers to reduce their dependence on a single supplier of the majority of their metals needs. We may not be able to retain all of the Reliance and Metals USA customers, and any loss of customers and the business that they bring to us could have an adverse effect on our operating results.

As a decentralized business, we depend on both senior management and our key operating employees; if we are unable to attract and retain these individuals, our ability to operate and grow our business may be adversely affected.

Because of our decentralized operating style, we depend on the efforts of our senior management, including our chairman and chief executive officer, David H. Hannah, our president and chief operating officer, Gregg J. Mollins, and our executive vice president and chief financial officer, Karla Lewis, as well as our key operating employees. We may not be able to retain these individuals or attract and retain additional qualified personnel when needed. We do not have employment agreements with any of our corporate officers or most of our key employees, so they may have less of an incentive to stay with us when presented with alternative employment opportunities. The compensation of our officers and key employees is heavily dependent on our profitability and in times of reduced profitability this may cause our employees to seek employment opportunities that provide a more stable compensation structure. In addition, our senior management and key operating employees hold stock options and restricted shares that have vested and may also hold common stock in our employee stock ownership plan. These individuals may, therefore, be more likely to leave us if the shares of our common stock significantly appreciate in value. The loss of any key officer or employee will require remaining officers and employees to direct immediate and substantial attention to seeking a replacement. Our inability to retain members of our senior management or key operating employees or to find adequate replacements for any departing key officer or employee on a timely basis could adversely affect our ability to operate and grow our business.

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We are subject to various environmental, employee safety and health and customs and export laws and regulations, which could subject us to significant liabilities and compliance expenditures.

We are subject to various foreign, federal, state and local environmental laws and regulations concerning air emissions, wastewater discharges, underground storage tanks and solid and hazardous waste disposal at or from our facilities. Our operations are also subject to various employee safety and health laws and regulations, including those concerning occupational injury and illness, employee exposure to hazardous materials and employee complaints. We are also subject to customs and exporting laws and regulations for international shipment of our products. Environmental, employee safety and health and customs and export laws and regulations are comprehensive, complex and frequently changing. Some of these laws and regulations are subject to varying and conflicting interpretations. We may be subject from time to time to administrative and/or judicial proceedings or investigations brought by private parties or governmental agencies with respect to environmental matters, employee safety and health issues or customs and exporting issues. Proceedings and investigations with respect to environmental matters, any employee safety and health issues or customs and exporting issues could result in substantial costs to us, divert our management's attention and result in significant liabilities, fines or the suspension or interruption of our service center activities. Some of our current properties are located in industrial areas with histories of heavy industrial use. The location of these properties may require us to incur environmental expenditures and to establish accruals for environmental liabilities that arise from causes other than our operations. In addition, we are currently investigating and remediating contamination in connection with certain properties we have acquired. Future events, such as changes in existing laws and regulations or their enforcement, new laws and regulations or the discovery of conditions not currently known to us, could result in material environmental or export compliance or remedial liabilities and costs, constrain our operations or make such operations more costly.

Our international operations continue to expand, exposing us to additional risks.

Our international presence has grown, so the risk of incurring liabilities or fines resulting from non-compliance with various international laws and regulations has increased. Moreover, we are subject to the FCPA, and similar worldwide anti-bribery laws in non-U.S. jurisdictions such as the UK Bribery Act 2010, which generally prohibit companies and their intermediaries from corruptly paying, offering to pay, or authorizing the payment of money, a gift, or anything of value, to a foreign official or foreign political party, for purposes of obtaining or retaining business. A company can be held liable under these anti-bribery laws not just for its own direct actions, but also for the actions of its foreign subsidiaries or other third parties, such as agents or distributors. In addition, we could be held liable for actions taken by employees or third parties on behalf of a company that we acquire. If we fail to comply with the requirements under these laws, we may face possible civil and/or criminal penalties, which could have a material adverse effect on our business or financial results.

Proposed legislation aimed at regulating and taxing carbon emissions may impact both the prices we pay for materials and the volume of business from our customers involved in fossil fuel exploration.

We purchase large quantities of metal from mills whose production costs may increase because of proposed increases in taxation on carbon emissions as a byproduct of the milling process. Such regulation, if passed, may result in significantly higher prices charged to us by the mills for most every type of metal that we sell. The price that we pay for utilities such as electricity to run our warehouse equipment and fuel to run our delivery trucks and forklifts may rise as well due to increased taxation on the companies who produce and supply these commodities. We may not be able to fully pass on these costs to our customers without a resulting decline in order volumes, which may adversely impact our profits.

Carbon-related regulation may also negatively impact domestic exploration efforts. Should such a reduction in domestic exploration occur, we would expect to see a resulting slowdown in sales to our energy end market in general, thus negatively impacting our revenues, gross profit and net income.

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Regulation from the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") could adversely affect our business or financial results.

Changes in regulatory requirements, such as the reporting requirements relating to conflict minerals originating in the Democratic Republic of Congo ("DRC") or adjoining countries included in the Dodd-Frank Act, or evolving interpretations of existing regulatory requirements, may result in increased compliance cost, capital expenditures and other financial obligations that could adversely affect our business or financial results.

Our operating results have fluctuated, and are expected to continue fluctuating, depending on the season.

Some of our customers are in seasonal businesses, including customers in the construction and related industries. Revenues in the months of July, November and December traditionally have been lower than in other months because of increased vacation days and holiday closures for various customers. Consequently, you should not rely on our results of operations during any particular quarter as an indication of our results for a full year or any other quarter.

Ongoing tax audits may result in additional taxes.

Reliance and our subsidiaries are undergoing various tax audits. These tax audits could result in additional taxes, plus interest and penalties being assessed against Reliance or any of our subsidiaries and the amounts assessed could be material.

Damage to our computer infrastructure and software systems could harm our business.

The unavailability of any of our primary information management systems for any significant period of time could have an adverse effect on our operations. In particular, our ability to deliver products to our customers when needed, collect our receivables and manage inventory levels successfully largely depend on the efficient operation of our computer hardware and software systems. Through information management systems, we provide inventory availability to our sales and operating personnel, improve customer service through better order and product reference data and monitor operating results. Difficulties associated with upgrades, installations of major software or hardware, and integration with new systems could lead to business interruptions that could harm our reputation, increase our operating costs and decrease our profitability. In addition, these systems are vulnerable to, among other things, damage or interruption from power loss, computer system and network failures, loss of telecommunications services, operator negligence, physical and electronic loss of data, or security breaches and computer viruses.

We have contracted with third-party service providers that provide us with backup systems in the event that our major information management systems are damaged. The backup facilities and other protective measures we take could prove to be inadequate. Our inability to restore data completely and accurately could lead to inaccurate and/or untimely filings of our periodic reports with the SEC, tax filings with the IRS or other required filings, all of which could have a significant negative impact on our corporate reputation and could negatively impact our stock price or result in fines or penalties that could impact our financial results.

The value of your investment may be subject to sudden decreases due to the potential volatility of the price of our common stock.

The market price of our common stock may be highly volatile and subject to wide fluctuations in response to various factors, including variations in our quarterly results of operations and our leverage

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position, as well as general economic conditions. Other factors may include matters discussed in other risk factors and the following:

- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors or changes in estimates that we provide in our quarterly earnings release and conference call;
- developments affecting our Company, our customers or our suppliers, including general pricing announcements;
- changes in the legal or regulatory environment affecting our business;
- press releases, earnings releases or publicity relating to us or our competitors or relating to trends in the metals service center industry;
- inability to meet securities analysts' and investors' quarterly or annual estimates or targets of our performance;
- a decline in our credit rating by the rating agencies;
- damage to our corporate reputation;
- the operating and stock performance of other companies that investors may deem comparable, including steel suppliers that face different hurdles than metals service centers;
- ability to maintain our increased dividend rate;
- sales of our common stock by large shareholders or insiders; and
- general domestic or international economic, market and political conditions.

These factors may adversely affect the trading price of our common stock, regardless of our actual operating performance. In addition, stock markets from time to time experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. In the past, some shareholders have brought securities class action lawsuits against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation, regardless of whether our defense is ultimately successful, could result in substantial costs and divert management's attention and resources.

The volatility of the market could result in a material impairment of goodwill or indefinite-lived intangible assets.

We review the recoverability of goodwill and indefinite-lived intangible assets annually or whenever significant events or changes in circumstances occur that might impair the recovery of recorded costs. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill or indefinite-lived intangible assets may not be recoverable, include a decline in stock price and market capitalization, declines in the market conditions of our products, loss of key customers, reduced future cash flow estimates, and slower growth rates in our industry. An impairment charge, if incurred, could be material.

Principal shareholders who own a significant number of shares may have interests that conflict with yours.

Periodically, we have one or more shareholders that control 5% or more of the outstanding shares of our common stock. Individually or together, they may have the ability to significantly influence matters requiring shareholder approval. In deciding how to vote on such matters, these shareholders may be influenced by interests that conflict with yours.

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We have implemented anti-takeover provisions that may adversely impact your rights as a holder of Reliance common stock.

Certain provisions in our articles of incorporation and our bylaws could delay, defer or prevent a third party from acquiring Reliance, despite the possible benefit to our shareholders, or otherwise adversely affect the price of our common stock and the rights of our shareholders. We are authorized to issue 5,000,000 shares of preferred stock, no par value, with the rights, preferences, privileges and restrictions of such stock to be determined by our board of directors, without a vote of the holders of common stock. Our board of directors could grant rights to holders of preferred stock to reduce the attractiveness of Reliance as a potential takeover target or make the removal of management more difficult. In addition, our restated articles of incorporation and amended and restated bylaws impose advance notice requirements for shareholder proposals and nominations of directors to be considered at shareholder meetings. These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors other than the candidates nominated by our board of directors. In addition, our credit facility and the provisions of our senior private notes and debt securities contain limitations on our ability to enter into change of control transactions.

Risks Related to our Debt Securities

Because our senior debt securities and the related guarantees are not secured and are effectively subordinated to the rights of secured creditors, the debt securities and the related guarantees will be subject to the prior claims of any secured creditors, and if a default occurs, we may not have sufficient funds to fulfill our obligations under the debt securities or the related guarantees.

The notes and the guarantees are unsecured obligations, ranking equally with other senior unsecured indebtedness. The indenture governing the notes, as well as our credit facility and private placement notes, permit us and the subsidiary guarantors to incur additional secured or unsecured debt under specified circumstances. If we or the subsidiary guarantors incur additional secured debt, our assets and the assets of the subsidiary guarantors securing such debt will be subject to prior claims by our secured creditors. In the event of bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up of either Reliance or any of the subsidiary guarantors, assets that secure debt will be available to pay obligations on the notes and guarantees only after all debt secured by those assets has been repaid in full. Holders of the notes will participate in any remaining assets ratably with all of the respective unsecured and unsubordinated creditors of Reliance and the subsidiary guarantors, including trade creditors. If Reliance or any of the subsidiary guarantors incurs any additional unsecured obligations that rank equally with the notes, including trade payables, the holders of those obligations will be entitled to share ratably with the holders of the notes in any proceeds distributed as a result of bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up. If we do not have sufficient assets to pay all creditors of these entities, a portion of the notes outstanding would remain unpaid.

The guarantees may be unenforceable due to fraudulent conveyance statutes and, accordingly, the holders of our debt securities may not have a claim against the subsidiary guarantors.

The obligations of each subsidiary guarantor under its guarantee will be limited as necessary to prevent that guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law. However, a court in some jurisdictions could, under fraudulent conveyance laws, further subordinate or void the guarantee of any subsidiary guarantor if it found that such guarantee was incurred with actual intent to hinder, delay or defraud creditors, or such subsidiary guarantor did not receive fair consideration or reasonably equivalent value for the guarantee and that the subsidiary guarantor was any of the following: insolvent or rendered insolvent because of the guarantee, engaged in a business or transaction for which its remaining assets constituted unreasonably small capital, or intended to incur, or believed that it would incur, debts beyond its ability to pay such debts at maturity.

If a court were to void the guarantee of a subsidiary guarantor as the result of a fraudulent conveyance, or hold it unenforceable for any other reason, holders of the notes would cease to have a claim against that subsidiary guarantor on its guarantee and would be creditors solely of Reliance and any other subsidiary guarantor whose guarantee is not voided or held to be unenforceable.

The guarantees will be released under certain circumstances.

The debt securities will be guaranteed by any subsidiary guarantor for so long as such subsidiary guarantor is a borrower or a guarantor of obligations under our credit agreement and our private notes. In the event that, for any reason, the obligations of any subsidiary guarantor terminate as a borrower or guarantor under our credit agreement and our private notes, that subsidiary guarantor will be deemed released from all of its obligations under the indenture and its guarantee of the notes will terminate. A subsidiary guarantor's guarantee will also terminate and such subsidiary guarantor will be deemed released from all of its obligations under the indenture with respect to the notes of a series upon legal defeasance of such series or satisfaction and discharge of the indenture as it relates to such series. A subsidiary guarantor's guarantee will also terminate and such subsidiary guarantor will be deemed released from all of its obligations under the indenture with respect to each series of notes in connection with any sale or other disposition by Reliance of all of the capital stock of that subsidiary guarantor (including by way of merger or consolidation) or other transaction such that after giving effect to such transaction such subsidiary guarantor is no longer a domestic subsidiary of Reliance. If the obligations of any subsidiary guarantor as a guarantor terminate or are released, the risks applicable to our subsidiaries that are not guarantors will also be applicable to such released subsidiary guarantor.

We depend on the receipt of dividends or other intercompany transfers from our subsidiaries to meet our obligations under the notes. Claims of creditors of our subsidiaries may have priority over your claims with respect to the assets and earnings of our subsidiaries.

We conduct a substantial portion of our operations through our subsidiaries. We will therefore be dependent upon dividends or other intercompany transfers of funds from our subsidiaries in order to meet our obligations under the notes and to meet our other obligations. Generally, creditors of our subsidiaries will have claims to the assets and earnings of our subsidiaries that are superior to the claims of our creditors, except to the extent the claims of our creditors are guaranteed by our subsidiaries. All of our wholly owned domestic subsidiaries, which constitute the substantial majority of our subsidiaries, guarantee the notes. As of December 31, 2012, Reliance and the subsidiary guarantors accounted for approximately $5.22 billion, or 89%, of our total consolidated assets. Reliance and the subsidiary guarantors accounted for approximately $7.80 billion, or 92%, of our total consolidated revenues for the year ended December 31, 2012. If Reliance expands its international presence at a greater pace than it expands its U.S. presence, a smaller percentage of its consolidated assets may be subject to the guarantee obligations.

In the event of the bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up of Reliance, the holders of our notes may not receive any amounts with respect to the notes until after the payment in full of the claims of creditors of our subsidiaries that are not subsidiary guarantors.

We are permitted to incur more debt, which may intensify the risks associated with our current leverage, including the risk that we will be unable to service our debt.

Subject to certain limitations, our existing credit facility and private notes permit us to incur additional debt. The indenture governing the notes does not limit the amount of additional debt that we may incur. If we incur additional debt, the risks associated with our leverage, including the risk that we will be unable to service our debt, will increase.

The provisions in the indenture that governs the notes relating to change of control transactions will not necessarily protect the holders of our notes in the event of a highly leveraged transaction.

The provisions contained in the indenture will not necessarily afford the holders of our notes protection in the event of a highly leveraged transaction that may adversely affect them, including a reorganization, restructuring, merger or other similar transaction involving Reliance. These transactions may not involve a change in voting power or beneficial ownership or, even if they do, may not involve a change of the magnitude required under the definition of change of control repurchase event in the indenture to trigger these provisions, notably, that the transactions are accompanied or followed within 60 days by a downgrade in the rating of the notes. Except in the event of a change of control, the indenture does not contain provisions that permit the holders of the notes to require us to repurchase the notes in the event of a takeover, recapitalization or similar transaction.

Reliance may not be able to repurchase all of the notes upon a change of control repurchase event.

We will be required to offer to repurchase certain outstanding senior notes upon the occurrence of a change of control repurchase event as defined in the indenture dated November 20, 2006 (see Exhibit 4.01 incorporated by reference in this Annual Report on Form 10-K). We may not have sufficient funds to repurchase the notes in cash at such time or have the ability to arrange necessary financing on acceptable terms. In addition, our ability to repurchase the notes for cash may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time. Under the terms of our credit facility, we are prohibited from repurchasing the notes if we are in default under such credit facility.

Ratings of our notes may change and affect the market price and marketability of the notes.

The notes are rated by Moody's Investors Service Inc. and Standard & Poor's. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued and subsequently updated or affirmed. An explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that our current credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. It is also possible that such ratings may be lowered in connection with future events, such as future acquisitions. Holders of our notes have no recourse against us or any other parties in the event of a change in or suspension or withdrawal of such ratings. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price or marketability of the notes. In addition, any decline in the ratings of the notes may make it more difficult for us to raise capital on acceptable terms.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2012, we maintained more than 240 metals service center processing and distribution facilities in 38 states in the U.S. and in ten other countries, and our corporate headquarters. All of our service center facilities are in good or excellent condition and are adequate for our existing operations. These facilities generally operate at about 50-60% of capacity based upon a 24-hour seven-day week, with each location averaging about two shifts operating at full capacity for a five-day work week. We

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have the ability to increase our capacity significantly without further investment in facilities or equipment if demand levels improve.

We lease 146 of our processing and distribution facilities for a total of approximately 8.5 million square feet. Total square footage on all company-owned properties is approximately 17.2 million. In addition, we lease our corporate headquarters in Los Angeles, California and several of our subsidiaries lease other sales offices or non-operating locations. These property leases expire at various times through 2031 and the aggregate monthly rent amount is approximately $2.9 million.

Item 3. Legal Proceedings.

From time to time, we are named as a defendant in legal actions. Generally, these actions arise out of our normal course of business. We are not a party to any pending legal proceedings other than routine litigation incidental to the business. Also, a lawsuit has been filed against us in connection with our pending acquisition of Metals USA. It is common for lawsuits to be filed with respect to transactions of this size. We expect that these matters will be resolved without having a material adverse effect on our results of operations or financial condition. We maintain liability insurance against risks arising out of our normal course of business.

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "RS" and was first traded on September 16, 1994. The following table sets forth the high and low reported closing sale prices of the common stock on the NYSE Composite Tape for the stated calendar quarters.

	2012		2011	
	High	**Low**	**High**	**Low**
First Quarter	$ 57.95	$ 50.41	$ 58.49	$ 51.23
Second Quarter	$ 56.94	$ 45.99	$ 60.05	$ 46.61
Third Quarter	$ 57.66	$ 44.98	$ 50.43	$ 33.68
Fourth Quarter	$ 62.10	$ 50.12	$ 50.11	$ 32.04

As of January 31, 2013, there were 253 record holders of our common stock. We have paid quarterly cash dividends on our common stock for 53 years. In February 2013, our Board of Directors increased the regular quarterly dividend amount 20% to $0.30 per share, following a 67% increase in July 2012 from $0.15 to $0.25 per share and a 25% increase in February 2012 from $0.12 to $0.15 per share of common stock. Our Board of Directors has increased the quarterly dividend rate on a periodic basis with the most recent being our 19th increase since our IPO in 1994. The Board may reconsider or revise this policy from time to time based on conditions then existing, including our earnings, cash flows, financial condition and capital requirements, or other factors the Board may deem relevant. We expect to continue to declare and pay dividends in the future, if earnings are available to pay dividends, but we also intend to continue to retain a portion of earnings for reinvestment in our operations and expansion of our businesses. We cannot assure you that either cash or stock dividends will be paid in the future or that, if paid, the dividends will be at the same amount or frequency as paid in the past.

We did not repurchase any of our common stock in 2012, 2011, or 2010. Since initiating the Stock Repurchase Plan in 1994 we have purchased approximately 15,200,000 shares at an average cost of $18.41 per share. As of December 31, 2012 we had authorization to purchase an additional 7,883,033 shares under our existing Repurchase Plan.

The private placement debt agreements for our senior notes and our syndicated revolving credit facility contain covenants, which, among other things, require us to maintain a minimum net worth, which may restrict our ability to pay dividends. Since our initial public offering in September 1994 through 2012, we have paid between 5% and 25% of earnings to our shareholders as dividends. The wide range is due mainly to volatility of our earnings over this period more than volatility of our dividend rate. In 2012 our dividend payments represented 15% of earnings.

The following table contains certain information with respect to our cash dividends declared during the past two fiscal years:

Date of Declaration	Record Date	Payment Date	Dividends
10/23/12	11/29/12	12/20/12	$0.25 per share
7/24/12	8/17/12	9/14/12	$0.25 per share
4/24/12	6/1/12	6/22/12	$0.15 per share
2/14/12	3/2/12	3/23/12	$0.15 per share
10/26/11	11/29/11	12/20/11	$0.12 per share
7/27/11	8/19/11	9/16/11	$0.12 per share
4/26/11	6/3/11	6/24/11	$0.12 per share
2/16/11	3/4/11	3/25/11	$0.12 per share

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On February 26, 2013 and March 16, 2012, we granted 324,780 and 391,050, respectively, restricted stock units ("RSUs") to key employees pursuant to the Amended and Restated Stock Option and Restricted Stock Plan, which is approved by the shareholders. Each RSU consists of the right to receive one share of our common stock and dividend equivalent rights, subject to forfeiture, equal to the accrued cash or stock dividends where the record date for such dividends is after the grant date but before the shares vest. Additionally, each 2013 and 2012 RSU granted has a service condition and cliff vests at December 31, 2015 and December 31, 2014, respectively, if the recipient is an employee on the vesting date. In addition to the service criteria, 134,725 and 138,700 of the RSUs granted in 2013 and 2012, respectively, also have performance goals and vest only upon the satisfaction of the service and performance criteria. The fair value of the 2013 and 2012 RSUs granted was $65.73 per share and $57.42 per share, respectively, determined based on the closing price of our common stock on the grant date.

We have issued restricted stock pursuant to the Directors Equity Plan, which was approved by shareholders in May 2011 to replace the Directors Stock Option Plan, as amended. We granted 16,842 shares and 16,079 shares of restricted stock to non-employee members of the Board of Directors for their services on the Board in 2012 and 2011, respectively. The awards include dividend rights and vest immediately upon grant. The recipients are restricted from trading the shares for a period of one year from date of grant. There were no proceeds received from the shares granted under the Directors Equity Plan. The fair value of the shares granted was $49.87 per share in 2012 and $52.24 per share in 2011, determined based on the closing price of our common stock on the grant date.

Additional information regarding securities authorized for issuance under all share-based compensation plans will be included under the caption "EXECUTIVE COMPENSATION Equity Compensation Table" in our definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 15, 2013.

Stock Performance Graph

The following graph compares the performance of our common stock with that of the S&P 500, the Russell 2000 and a Peer Group that we selected for the five-year period from December 31, 2007 through December 31, 2012. The comparison of total return assumes that a fixed investment of $100 was invested on December 31, 2007 in all common stock and assumes the reinvestment of dividends. Since there is no nationally-recognized industry index consisting of metals service center companies to be used as a peer group index, Reliance constructed its own peer groups. As of December 31, 2012, the Peer Group consisted of Olympic Steel Inc., which has securities listed for trading on NASDAQ; A.M. Castle & Co., Metals USA Holdings Corp. and Worthington Industries, Inc., each of which has securities listed for trading on the New York Stock Exchange; and Russel Metals Inc., which has securities listed for trading on the Toronto Stock Exchange (collectively, the "Peer Group"). The returns of each member of the Peer Group are weighted according to that member's stock market capitalization as of the period measured.

The stock price performance shown on the graph below is not necessarily indicative of future price performance.

Comparison of 5 Year Cumulative Total Return Among Reliance Steel & Aluminum Co., the S&P 500 Index, the Russell 2000 Index and a Peer Group

	2007	2008	2009	2010	2011	2012
Reliance Steel & Aluminum Co.	100.00	37.19	81.60	97.35	93.73	121.37
S&P 500	100.00	63.00	79.67	91.67	93.61	108.59
Russell 2000	100.00	66.21	84.20	106.82	102.36	119.09
Peer Group(1)	100.00	61.98	77.72	104.80	91.35	131.96

(1) Metals USA Holdings Corp. had its initial public offering in April 2010.

Item 6. Selected Financial Data.

We have derived the following selected summary consolidated financial and operating data for each of the five years ended December 31, 2012 from our audited consolidated financial statements. You should read the information below with our Consolidated Financial Statements, including the notes related thereto, and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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SELECTED CONSOLIDATED FINANCIAL DATA

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(in millions, except share and per share data)				
Income Statement Data:					
Net sales	$ 8,442.3	$ 8,134.7	$ 6,312.8	$ 5,318.1	$ 8,718.8
Cost of sales (exclusive of depreciation and amortization expenses included in operating expenses)	6,235.4	6,148.7	4,727.9	3,918.6	6,556.7
Gross profit[1]	2,206.9	1,986.0	1,584.9	1,399.5	2,162.1
Operating expenses[2]	1,547.7	1,413.2	1,224.2	1,149.1	1,309.1
Operating income	659.2	572.8	360.7	250.4	853.0
Other income (expense):					
Interest expense	(58.4)	(59.8)	(61.2)	(67.5)	(82.6)
Other income (expense), net	8.6	(1.4)	(3.0)	12.6	(3.8)
Income before income taxes	609.4	511.6	296.5	195.5	766.6
Provision for income taxes	201.1	162.4	98.6	46.3	282.9
Net income	408.3	349.2	197.9	149.2	483.7
Less: Net income attributable to noncontrolling interests	4.8	5.4	3.5	1.0	0.9
Net income attributable to Reliance	$ 403.5	$ 343.8	$ 194.4	$ 148.2	$ 482.8
Earnings per Share:					
Net income per share attributable to Reliance shareholders diluted	$ 5.33	$ 4.58	$ 2.61	$ 2.01	$ 6.56
Net income per share attributable to Reliance shareholders basic	$ 5.36	$ 4.60	$ 2.62	$ 2.02	$ 6.60
Weighted average common shares outstanding diluted	75,694,212	75,041,753	74,472,380	73,701,979	73,597,717
Weighted average common shares outstanding basic	75,216,955	74,767,988	74,230,452	73,445,583	73,102,215
Other Data:					
Cash flow provided by operations	$ 601.9	$ 234.8	$ 214.1	$ 943.0	$ 664.7
Capital expenditures	214.0	156.4	111.4	69.9	151.9
Cash dividends per share	0.80	0.48	0.40	0.40	0.40
Balance Sheet Data (December 31):					
Working capital	$ 1,699.2	$ 1,698.3	$ 1,192.3	$ 973.3	$ 1,652.2
Total assets	5,857.7	5,605.9	4,668.9	4,306.8	5,195.5
Long-term debt[3]	1,124.0	1,320.5	857.8	852.6	1,675.6
Reliance shareholders' equity	3,558.4	3,143.9	2,823.7	2,606.4	2,431.4

(1) Gross profit, calculated as net sales less cost of sales, is a non-GAAP financial measure as it excludes depreciation and amortization expense associated with the corresponding sales. The majority of our orders are basic distribution with no processing services performed. For the remainder of our sales orders, we perform "first-stage" processing, which is generally not labor intensive as we are simply cutting the metal to size. Because of this, the amount of related labor and overhead, including depreciation and amortization, are not significant and are excluded from our cost of sales. Therefore, our cost of sales is primarily comprised of the cost of the material we sell. We use gross profit as shown above as a measure of operating performance. Gross profit is an important operating and financial measure, as fluctuations in gross profit can have a significant impact on our earnings. Gross profit, as presented, is not necessarily comparable with similarly titled measures for other companies.

(2) Operating expenses include warehouse, delivery, selling, general and administrative expenses, depreciation and amortization expense.

(3) Includes the long-term portion of capital lease obligations.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Our 2012 results reflected growth over 2011, but not at the level we had anticipated. We began 2012 with positive momentum for both demand and pricing for the products we sell. However, we saw consistent deterioration in overall metals pricing beginning in February that continued throughout 2012. Demand also waned in most end markets we serve as the year progressed. We believe that U.S., as well as global, political and economic uncertainty caused demand to subside. These same factors also contributed to increased imports of metal products into the U.S. and reductions in raw material costs that led to lower metals pricing.

We did see continued strength in the aerospace, auto (mainly through our toll processing businesses) and energy (oil and gas) end markets during 2012, even though growth in the energy market slowed from 2011 levels and sequentially in each of the quarters during the year. Heavy industries such as mining equipment, barge and tank manufacturers, transmission towers and rail cars were also solid markets for us in 2012. Our sales into the agricultural equipment end market were strong in the 1st half of 2012 but slowed in the 2nd half. Our sales into the non-residential construction market improved somewhat over 2011 levels, primarily in the industrial construction market, but overall remain well below the peak levels in 2006.

Our 2012 sales of $8.44 billion were our second best ever, and our earnings per share were the third best ever. Through the efforts of our employees, we increased our 2012 same-store tons sold 3.4% over 2011 and increased our gross profit margin to 26.1% in a challenging business environment. We ended 2012 in a strong financial position with our net debt-to-capital ratio at 23.8%.

During 2012 we completed six acquisitions, with combined pro-forma annual sales of approximately $225 million. These companies generally sell specialty products or provide high-value processing, leading to higher selling prices and gross profit margins than the Company average. We also invested $214 million in capital expenditures, our highest ever. The majority of our capital expenditures related to growth activities, including the expansion and relocation of existing facilities, enhancing and adding processing capabilities, penetrating new geographic markets and expanding product offerings at existing locations.

We believe we have significantly higher earnings capacity from our current levels with exposure to industries that are poised for growth in the years ahead along with our broad and diverse product base and wide geographic footprint that positions us well in our industry. However, until there is a significant improvement in demand, especially in the non-residential construction market, we expect our results to be below what we believe our earnings power is, given the current size and breadth of the Company. We will continue to focus on maximizing the working capital management and profitability of our existing businesses and on profitable growth through both acquisitions and internal investment. We have also consistently returned capital to our shareholders through dividends, with substantial increases in our quarterly dividend rate over the past two years.

Looking forward, we expect that global economic uncertainty will continue to impact U.S. economic growth. However, we do expect pricing to improve from current levels and for volumes to steadily improve as we overcome the economic and political uncertainty and our customers gain more confidence. Our strong balance sheet provides a solid foundation for our operating activities and our growth strategies, both organic and through acquisitions, which we expect to aggressively pursue.

In February 2013, we announced our agreement to acquire Metals USA Holdings Corp. in an all cash transaction for approximately $1.2 billion. If completed, this would be our largest acquisition to date, adding 48 service center locations throughout the U.S. and further strengthen our broad range of products, significant customer diversification and wide geographic footprint. Our operating and growth strategies

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have helped us achieve industry-leading operating results on a consistent basis and we remain confident in our ability to continue this track record of success going forward.

Effect of Demand and Pricing Changes on our Operating Results

Customer demand can have a significant impact on our results of operations. When volume increases our revenue dollars increase, which then contributes to increased gross profit dollars. Variable costs may also increase with volume including increases in our warehouse, delivery, selling, general and administrative expenses. Conversely, when volume declines, we typically produce fewer revenue dollars, which can reduce our gross profit dollars. We can reduce certain variable expenses when volumes decline, but we cannot easily reduce our fixed costs.

Pricing for our products can have a more significant impact on our results of operations than customer demand levels. As pricing increases, so do our revenue dollars. Our pricing usually increases when the cost of our materials increase. If prices increase and we maintain the same gross profit percentage, we generate higher levels of gross profit and pre-tax income dollars for the same operational efforts. Conversely, if pricing declines, we will typically generate lower levels of gross profit and pre-tax income dollars. Because changes in pricing do not require us to adjust our expense structure other than for profit-based compensation, the impact on our results of operations from changes in pricing is typically much greater than the effect of volume changes.

In addition, when volume or pricing increases, our working capital requirements typically increase, which may require us to increase our outstanding debt. This usually increases our interest expense. When our customer demand falls, we typically generate stronger levels of cash flow from operations as our working capital needs decrease.

Recent Developments

In February 2013, we entered into a definitive merger agreement to acquire all the outstanding shares of Metals USA Holdings Corp. ("Metals USA") for $20.65 per share in cash for a total equity purchase price of approximately $786 million and assumption of approximately $452 million of debt, for a total enterprise value of approximately $1.2 billion. The transaction is expected to close in the second quarter of 2013. Metals USA's total assets as of December 31, 2012 and sales for the year then ended were approximately $1.0 billion (unaudited) and $2.0 billion (unaudited), respectively.

The transaction has been unanimously approved by the respective Boards of Directors of Reliance and Metals USA. The transaction is subject to approval by Metals USA stockholders, along with the receipt of regulatory clearances and the satisfaction of other customary closing conditions, and includes a 30-day "go-shop" period. We anticipate funding the transaction with borrowings on our revolving credit facility, together with funds obtained from accessing the bank credit and debt capital markets.

2012 Acquisitions

Effective October 1, 2012, through our wholly owned subsidiary Feralloy Corporation ("Feralloy"), we acquired all the outstanding capital stock of GH Metal Solutions, Inc. (formerly known as The Gas House, Inc.) ("GH"), a value added processor and fabricator of carbon steel products, that will allow Feralloy to better serve the increasing demands of its diverse customer base. GH, located in Fort Payne, Alabama, was founded in 1958 and has grown its processing equipment to include flat-bed lasers, tube lasers, torches, shears, automatic band saws, CNC press brakes, coil-fed and hand-fed stampers, robotic and manual welders, and a painting line. GH operates as a wholly owned subsidiary of Feralloy and had net sales of $12.6 million for the three months ended December 31, 2012.

Effective October 1, 2012, we acquired all the outstanding limited liability company interests of Sunbelt Steel Texas, LLC ("Sunbelt"), a value added distributor of special alloy steel bar and heavy-wall tubing products to the oil and gas industry. Sunbelt was founded in 1986 and is headquartered in Houston, Texas with an additional location in Lafayette, Louisiana. Sunbelt increases our growing exposure to the energy market in high end, niche products serving customers across multiple oil and gas well drilling types, including vertical, horizontal, directional, and deepwater drilling applications. Sunbelt had net sales of $12.5 million for the three months ended December 31, 2012.

On July 6, 2012, we acquired substantially all of the assets of Airport Metals (Australia) Pty Ltd., a subsidiary of Samuel Son & Co., Limited, through our newly-formed subsidiary Bralco Metals (Australia) Pty Ltd. ("Airport Metals"). Airport Metals, based in Melbourne, operates as a stocking distributor of aircraft materials and supplies. The addition of Airport Metals is our first entry into Australia and enhances our ability to service important aerospace customers in that area. Net sales of Airport Metals during the period from July 6, 2012 through December 31, 2012 were $1.4 million.

Effective April, 27, 2012, through our wholly owned subsidiary Precision Strip, Inc. ("PSI"), we acquired the assets of the Worthington Steel Vonore, Tennessee plant, a processing facility owned by Worthington Industries, Inc. The Vonore plant operates as a PSI location which processes and delivers carbon steel, aluminum and stainless steel products on a "toll" basis, processing the metal for a fee without taking ownership of the metal. The addition of the Vonore location to PSI's existing footprint of facilities allows PSI to better service its customer base in an important geographic area of the country. The Vonore location's net sales during the period from April 27, 2012 through December 31, 2012 were $1.6 million.

Effective April 3, 2012, we acquired all the outstanding limited liability company interests of National Specialty Alloys, LLC ("NSA"), a global specialty alloy processor and distributor of premium stainless steel and nickel alloy bars and shapes, headquartered in Houston, Texas. In addition to enhancing our existing product offerings with the addition of specialty stainless steel and nickel products, NSA also expands and complements our growing exposure to the energy market. NSA was founded in 1985 and has additional locations in Anaheim, California; Buford, Georgia; Tulsa, Oklahoma and Mexico City, Mexico. Net sales of NSA during the period from April 3, 2012 through December 31, 2012 were $68.0 million.

Effective February 1, 2012, through our wholly owned subsidiary Diamond Manufacturing Company, we acquired McKey Perforating Co., Inc. ("McKey"), headquartered in New Berlin, Wisconsin and its subsidiary, McKey Perforated Products Co., Inc., located in Manchester, Tennessee. McKey was founded in 1867 and provides a full range of metal perforating and fabrication services to customers located primarily in the U.S. McKey and Diamond Manufacturing Company are working together to leverage their combined expertise in the perforated metal market and further expand our presence within that market. McKey had net sales of $18.6 million for the eleven months ended December 31, 2012.

2011 Acquisition

Effective August 1, 2011, we acquired all the outstanding capital securities of Continental Alloys & Services, Inc. ("Continental"), headquartered in Houston, Texas, and certain affiliated companies. Continental is a leading global materials management company focused on high-end steel and alloy pipe, tube and bar products and precision manufacturing of various tools designed for well completion programs of global energy service companies and has 12 locations in seven countries including Canada, Malaysia, Mexico, Singapore, the U.A.E., the United Kingdom, and the United States. This acquisition aligns well with our diversification strategy by increasing our exposure to the energy (oil and gas) market, including the addition of Oil Country Tubular Goods ("OCTG") products, new processing capabilities, and entry into new international markets. Continental and its affiliates had combined net sales of $442.4 million for the year ended December 31, 2012.

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Internal Growth Activities

We continued to maintain our focus on organic growth by opening new facilities, building or expanding existing facilities and adding processing equipment with total capital expenditures of $214.0 million in 2012, our highest to-date. This amount includes the purchase of six facilities that we previously leased, which will reduce our expenses. Our 2012 capital expenditure budget was $250 million. During 2012 we also consolidated and closed a few small operations that did not impact our ability to service our customers.

Our 2013 capital expenditure budget is approximately $180 million with much of this related to internal growth activities comprised of purchases of equipment and new facilities along with expansions of existing facilities. We also plan to move out of various leased facilities and into newly built and/or purchased ones. This reflects our confidence in our long-term prospects; however, we will continue to evaluate and execute each growth project and consider the economic conditions and outlook at the time. We estimate our maintenance capital expenditures at about $60 to $70 million, which allows us to significantly reduce our capital expenditure spending if and when necessary.

Results of Operations

The following table sets forth certain income statement data for each of the three years ended December 31 (dollars are shown in millions and certain amounts may not calculate due to rounding):

	2012		2011		2010	
	$	% of Net Sales	$	% of Net Sales	$	% of Net Sales
Net sales	$ 8,442.3	100.0%	$ 8,134.7	100.0%	$ 6,312.8	100.0%
Cost of sales (exclusive of depreciation and amortization expense shown below)	6,235.4	73.9	6,148.7	75.6	4,727.9	74.9
Gross profit[(1)]	2,206.9	26.1	1,986.0	24.4	1,584.9	25.1
Warehouse, delivery, selling, general and administrative expense ("S,G&A")	1,396.2	16.5	1,280.1	15.7	1,103.6	17.5
Depreciation expense	106.1	1.3	97.3	1.2	91.0	1.4
Amortization expense	45.4	0.5	35.8	0.4	29.6	0.5
Operating income	$ 659.2	7.8%	$ 572.8	7.0%	$ 360.7	5.7%

(1) Gross profit, calculated as net sales less cost of sales, and gross profit margin, calculated as gross profit divided by net sales, are non-GAAP financial measures as they exclude depreciation and amortization expense associated with the corresponding sales. The majority of our orders are basic distribution with no processing services performed. For the remainder of our sales orders, we perform "first-stage" processing, which is generally not labor intensive as we are simply cutting the metal to size. Because of this, the amount of related labor and overhead, including depreciation and amortization, are not significant and are excluded from our cost of sales. Therefore, our cost of sales is primarily comprised of the cost of the material we sell. We use gross profit and gross profit margin as shown above as measures of operating performance. Gross profit and gross profit margin are important operating and financial measures, as fluctuations in our gross profit margin can have a significant impact on our earnings. Gross profit and gross profit margin, as presented, are not necessarily comparable with similarly titled measures for other companies.

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Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net Sales

	Year Ended December 31, 2012	Year Ended December 31, 2011	Dollar Change	Percentage Change
	(in millions)			
Net sales	$ 8,442.3	$ 8,134.7	$ 307.6	3.8%
Net sales, same-store	$ 7,885.4	$ 7,930.0	$ (44.6)	(0.6)%

	Year Ended December 31, 2012	Year Ended December 31, 2011	Tons Change	Percentage Change
	(in thousands)			
Tons sold	4,440.3	4,213.5	226.8	5.4%
Tons sold, same-store	4,299.1	4,157.0	142.1	3.4%

	Year Ended December 31, 2012	Year Ended December 31, 2011	Price Change	Percentage Change
Average selling price per ton sold	$ 1,894	$ 1,930	$ (36)	(1.9)%
Average selling price per ton sold, same-store	$ 1,827	$ 1,907	$ (80)	(4.2)%

Tons sold and average selling price per ton sold amounts exclude our toll processing sales. Same-store amounts exclude the results of our 2012 and 2011 acquisitions.

In general, business activity in most all of our end markets was better in 2012 than in 2011, albeit, the improvement in tons shipped decreased sequentially in each of the first three quarters of 2012 and in the fourth quarter declined due to extended holiday related closures at many of our customers. We also believe that certain of our customers reduced purchasing activity near the end of the year as the U.S. economy approached the "fiscal cliff". The combination of extended holiday closures and the pending "fiscal cliff" concerns caused our fourth quarter demand to decline more than typical seasonal slowdowns. In 2012, our strongest markets were aerospace, farm and heavy equipment, and auto (through our toll processing businesses). The energy (oil and gas) market, although down from 2011 levels, still continued to be one of our strongest. Non-residential construction, our largest end market, exhibited moderate improvement, although at significantly reduced demand levels from its peak in 2006.

Since we primarily purchase and sell our inventories in the "spot" market, the changes in our average selling prices generally fluctuate in accordance with the changes in the costs of the various metals we purchase. The mix of products sold can also have an impact on our average selling prices. Our 2011 and 2012 acquisitions, particularly Continental and NSA which specialize in various alloy steel products, favorably impacted our 2012 average selling prices as their specialty products have higher selling prices than our company average; however, not enough to offset the overall decline in our selling prices.

Our 2012 average selling prices declined from 2011 due to lower mill pricing for most of our products as a result of decreases in raw material and scrap costs at the mills as well as high import levels and domestic overcapacity that needed to be absorbed in the marketplace. Lower London Metal Exchange aluminum prices and reduced nickel surcharges were primarily responsible for the drop in common alloy aluminum and stainless steel prices, respectively.

As a result of decreasing mill prices during most of the year, we sold most products at lower average selling prices compared to 2011 levels. Our major product same-store selling prices decreased in 2012 from 2011 levels as follows: carbon steel down 3.9%; aluminum down 2.1%; stainless steel down 10.4%; and

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alloy up 2.6%. As carbon steel sales represent slightly more than 50% of our sales dollars, changes in carbon steel prices have a significant impact on changes in our overall average price per ton sold.

Cost of Sales

	Year Ended December 31,					
	2012		2011			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(dollars in millions)					
Cost of sales	$ 6,235.4	73.9%	$ 6,148.7	75.6%	$ 86.7	1.4%

The increase in cost of sales in 2012 compared to 2011 is due to increased tons sold, partially offset by lower product costs. See *"Net Sales"* above for trends in both demand and costs of our products.

Our inventory LIFO valuation reserve adjustment, which is included in cost of sales and, in effect, reflects cost of sales at current replacement costs, resulted in a credit, or income, of $64.1 million in 2012 compared to a charge, or expense, of $85.3 million in 2011. Our LIFO valuation reserve as of December 31, 2012 and 2011 was $138.8 million and $202.9 million, respectively.

Gross Profit

	Year Ended December 31,					
	2012		2011			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(dollars in millions)					
Gross profit	$ 2,206.9	26.1%	$ 1,986.0	24.4%	$ 220.9	11.1%

Higher gross profit margins in 2012 contributed approximately 60% of the total increase in our gross profit of $220.9 million. The remaining increase in gross profit was from higher sales levels. The improvement in our gross profit margin was primarily due to our ability to effectively manage our selling prices in an environment of declining mill prices. See "*Net Sales*" and "*Cost of Sales*" for discussion on product pricing trends and our LIFO valuation reserve adjustments, respectively.

Expenses

	Year Ended December 31,					
	2012		2011			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(dollars in millions)					
S,G&A expense	$ 1,396.2	16.5%	$ 1,280.1	15.7%	$ 116.1	9.1%
S,G&A expense, same-store	$ 1,321.2	16.8%	$ 1,262.1	15.9%	$ 59.1	4.7%
Depreciation & amortization expense	$ 151.5	1.8%	$ 133.1	1.6%	$ 18.4	13.8%

The additional expenses of our 2012 and 2011 acquisitions along with increases in certain warehouse and delivery expenses resulting from increased staffing levels due to improved demand and increased fuel and healthcare costs accounted for most of the increase in S,G&A expense during 2012 compared to 2011. Our S,G&A expense as a percent of net sales increased as compared to 2011 primarily due to the lower selling prices in 2012 compared to 2011.

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The increase in depreciation and amortization expense was mainly due to our 2012 and 2011 acquisitions and depreciation expense from our recent capital expenditures. Additionally, we recognized an impairment loss of $2.5 million related to one of our trade name intangible assets for the year ended December 31, 2012, which is included in amortization expense.

Operating Income

	Year Ended December 31,					
	2012		2011			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(dollars in millions)					
Operating income	$ 659.2	7.8%	$ 572.8	7.0%	$ 86.4	15.1%

The higher gross profit dollars generated on higher sales, offset by only moderate increases in S,G&A expenses and the contributions of our 2011 and 2012 acquisitions improved our operating income level in 2012. Our operating income margin improved in 2012 mainly because of our improved gross profit margins and contributions from some of our 2012 and 2011 acquisitions, which produced higher operating returns due to the specialty nature of their products and processing services.

Other Income and Expense

	Year Ended December 31,					
	2012		2011			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(dollars in millions)					
Other income (expense), net	$ 8.6	0.1%	$ (1.4)		$ 10.0	(714.3)%

The change in other income (expense), net in 2012 compared to 2011 was primarily due to higher foreign currency gains due to the weakening of the U.S. dollar in 2012 compared to 2011 and higher investment returns on our life insurance assets.

Income Tax Rate

Our effective income tax rate in 2012 was 33.0% compared to our 2011 rate of 31.7%. The increase in our income tax rate was mainly due to higher income levels in 2012 as permanent items that lowered our effective income tax rates from the federal statutory rate were not materially different in amounts during both years and relate mainly to company-owned life insurance policies, domestic production activities deductions and foreign income levels that are taxed at rates lower than the U.S. statutory rate of 35%.

Net Income

	Year Ended December 31,					
	2012		2011			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(dollars in millions)					
Net income attributable to Reliance	$ 403.5	4.8%	$ 343.8	4.2%	$ 59.7	17.4%

The increase in our net income was primarily the result of higher gross profit dollars with relatively lower increases in our operating expenses, and contributions from our 2011 and 2012 acquisitions.

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Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net Sales

	Year Ended December 31, 2011	Year Ended December 31, 2010	Dollar Change	Percentage Change
	(in millions)			
Net sales	$ 8,134.7	$ 6,312.8	$ 1,821.9	28.9%
Net sales, same-store	$ 7,789.1	$ 6,290.4	$ 1,498.7	23.8%

	Year Ended December 31, 2011	Year Ended December 31, 2010	Tons Change	Percentage Change
	(in thousands)			
Tons sold	4,213.5	3,728.7	484.8	13.0%
Tons sold, same-store	4,084.7	3,720.4	364.3	9.8%

	Year Ended December 31, 2011	Year Ended December 31, 2010	Price Change	Percentage Change
Average selling price per ton sold	$ 1,930	$ 1,683	$ 247	14.7%
Average selling price per ton sold, same-store	$ 1,906	$ 1,680	$ 226	13.5%

Tons sold and average selling price per ton sold amounts exclude our toll processing sales. Same-store amounts exclude the results of our 2011 and 2010 acquisitions.

We saw steady improvement in our tons sold in 2011. In general, business activity in most all of our markets was better in 2011 than in 2010, albeit overall demand remained well below what we consider normal levels. In 2011, our strongest markets were energy (oil and gas), aerospace, farm and heavy equipment, mining, general manufacturing and semiconductor and electronics. Non-residential construction, our largest end market, continued to be our weakest, however, we saw some improvements in demand in 2011 for certain non-residential construction related products in certain areas around the country.

As a result of increased mill prices, we were able to sell most products at higher average selling prices in 2011 compared to 2010 levels. Our major commodity selling prices increased in 2011 from 2010 levels as follows: carbon steel up 18.1%; aluminum up 6.6%; stainless steel up 12.1%; and alloy up 12.8%. The 2011 mill price increases over 2010 levels were primarily due to rises in scrap and other input costs at the mills rather than improved end market demand.

Cost of Sales

	2011 $	2011 % of Net Sales	2010 $	2010 % of Net Sales	Dollar Change	Percentage Change
	(dollars in millions)					
Cost of sales	$ 6,148.7	75.6%	$ 4,727.9	74.9%	$ 1,420.8	30.1%

The increase in cost of sales in 2011 compared to 2010 is due to increases in tons sold as well as increased costs for most products we sell from 2010. See *"Net Sales"* above for trends in both demand and costs of our products.

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Our inventory LIFO valuation reserve adjustment resulted in a charge, or expense, of $85.3 million in 2011 compared to a charge, or expense, of $34.8 million in 2010. Our inventory LIFO valuation reserve as of December 31, 2011 and 2010 was $202.9 million and $117.6 million, respectively.

Gross Profit

	Year Ended December 31,					
	2011		2010			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(dollars in millions)					
Gross profit	$ 1,986.0	24.4%	$ 1,584.9	25.1%	$ 401.1	25.3%

We were able to generate higher gross profit dollars in 2011 due to overall higher average selling prices and demand for our products in 2011 compared to 2010. Our gross profit margins, however, declined slightly from 2010 levels mainly due to increased pricing volatility in 2011. After experiencing significant price increases for most of our products through the first four months of 2011, pricing began to decline and generally did not reverse its course until the end of the year, when the mills began announcing small price increases for many of our products to be effective in 2012. An environment of declining prices puts negative pressure on our gross profit margins as we may have to lower our selling prices prior to receiving the lower cost inventory on hand. Pricing volatility, especially when headed downward, also generally increases competition in our industry, which contributed to our lower gross profit margins in 2011. See also "*Cost of Sales"* above for discussion of our LIFO valuation reserve adjustments.

Expenses

	Year Ended December 31,					
	2011		2010			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(dollars in millions)					
S,G&A expense	$ 1,280.1	15.7%	$ 1,103.6	17.5%	$ 176.5	16.0%
S,G&A expense, same-store	$ 1,229.8	15.8%	$ 1,096.7	17.4%	$ 133.1	12.1%
Depreciation & amortization expense	$ 133.1	1.6%	$ 120.6	1.9%	$ 12.5	10.4%

Our 2011 warehouse, delivery, selling, general and administrative ("S,G&A") expenses as a percent of net sales decreased because of our higher sales volumes and pricing on a relatively consistent cost structure, as compared to the same periods in 2010. The additional expenses of our 2011 and 2010 acquisitions, increases in variable compensation expenses due to both increased volume and profits, and increases in certain warehouse and delivery expenses that resulted from higher tons sold and increased fuel costs accounted for most of the increase in S,G&A expenses during 2011 compared to 2010.

The increase in depreciation and amortization expense was mainly due to our 2011 and 2010 acquisitions and depreciation expense from our recent capital expenditures.

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Operating Income

	Year Ended December 31,					
	2011		2010			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(dollars in millions)					
Operating income	$ 572.8	7.0%	$ 360.7	5.7%	$ 212.1	58.8%

The higher gross profit dollars generated on higher sales offset by only moderate increases in S,G&A expenses significantly improved our operating income in 2011. Our operating income margin improved in 2011 primarily due to higher sales levels and a relatively consistent cost structure as discussed in "*Expenses*" above.

Other Income and Expense

Interest expense in 2011 was $59.8 million, a decrease of $1.4 million from $61.2 million in 2010. The effects of increased borrowings on our revolving credit facility that were primarily due to funding our increased working capital needs and our 2011 acquisition were offset by lower borrowing rates in 2011, as a result of restating our credit facility in July 2011.

Income Tax Rate

Our effective income tax rate in 2011 was 31.7% compared to our 2010 rate of 33.3%. The decrease in the effective income tax rate was primarily due to favorable state law changes to apportionment weights and the Continental acquisition, which caused a shift in our state apportionment rates that lowered our state income tax rates as well as increased our foreign income levels that are taxed at rates lower than the U.S. federal statutory rate of 35%.

Net Income

	Year Ended December 31,					
	2011		2010			
	$	% of Net Sales	$	% of Net Sales	Dollar Change	Percentage Change
	(dollars in millions)					
Net income attributable to Reliance	$ 343.8	4.2%	$ 194.4	3.1%	$ 149.4	76.9%

The significant increase in our net income was primarily the result of a more favorable demand and pricing environment for our products, which has allowed us to generate increased gross profit dollars with relatively lower increases in our operating expenses. Net income margin improved primarily due to higher sales levels and a relatively consistent cost structure as discussed in "*Expenses*" above.

Liquidity and Capital Resources

Operating Activities

Net cash provided by operating activities was $601.9 million in 2012 compared to $234.8 million in 2011. The increase was mainly due to higher profitability levels and a larger working capital (primarily accounts receivable and inventories) investment requirement in 2011 as compared to 2012. When volume or pricing increases, our working capital requirements typically increase. When demand and pricing falls, we typically generate higher levels of cash flow from operating activities as our working capital needs decrease. Throughout 2011, both volume and pricing for our products were increasing, requiring a larger investment in working capital. In 2012, particularly in the fourth quarter, demand for our products was

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declining, and by aligning our working capital needs with current business levels we generated a significant amount of cash flow from operating activities.

To manage our working capital, we focus on our days sales outstanding and on our inventory turnover rate, as receivables and inventory are the two most significant elements of our working capital. At December 31, 2012, our days sales outstanding rate was approximately 42.1 days compared to 41.6 days at December 31, 2011. Our inventory turn rate (based on dollars) during 2012 was about 4.0 times (or 3.0 months on hand), compared to our 2011 rate of 4.4 times (or 2.7 months on hand). Lower demand levels in the latter part of 2012 negatively impacted our inventory turns.

Investing Activities

Capital expenditures were $214.0 million in 2012 compared to $156.4 million in 2011. The majority of our 2012 capital expenditures related to growth initiatives to expand or relocate existing facilities, to purchase properties that were previously leased, to add or upgrade equipment, and to meet ongoing maintenance requirements. We also spent $166.9 million on acquisitions in 2012, net of cash acquired, compared to $313.3 million in 2011.

Financing Activities

Our 2012 capital expenditures and the 2012 acquisitions were largely funded by our cash from operations and the borrowings on our revolving credit facility. We paid dividends to our shareholders of $60.2 million in 2012. On February 19, 2013, our Board of Directors declared the 2013 first quarter regular cash dividend of $0.30 per share of common stock, an increase of 20% from $0.25 per share in fourth quarter 2012. We have increased our dividend 19 times since our IPO in 1994 and have paid regular quarterly dividends to our shareholders for 53 consecutive years.

Liquidity

Our primary sources of liquidity are our internally generated funds from operations and our $1.5 billion revolving credit facility. Our total outstanding debt at December 31, 2012 was $1.21 billion, down from $1.33 billion at December 31, 2011. At December 31, 2012, we had $525.0 million in outstanding borrowings on our $1.5 billion revolving credit facility. As of December 31, 2012, our net debt-to-capital ratio was 23.8%, down from 28.4% as of December 31, 2011.

On July 26, 2011, we amended and restated our existing syndicated credit agreement to increase the borrowing limit from $1.1 billion to $1.5 billion, and to extend the maturity date of the revolving credit facility for a five-year term to July 26, 2016. The amended and restated revolving credit facility has 26 banks as lenders. Interest on borrowings from the amended and restated revolving credit facility is at variable rates based on LIBOR plus 1.25% or the bank prime rate plus 0.25% as of December 31, 2012. The amended and restated revolving credit facility includes a commitment fee on the unused portion, at an annual rate of 0.2% as of December 31, 2012. The applicable margin over LIBOR rate and base rate borrowings, along with commitment fees, are subject to adjustment every quarter based on our leverage ratio, as defined.

We also have various other separate revolving credit facilities with a combined credit limit of approximately $20.8 million that are in place for operations in Asia and Europe as of December 31, 2012. These revolving credit facilities had combined outstanding balances of $8.3 million and $11.8 million as of December 31, 2012 and December 31, 2011, respectively.

Capital Resources

On November 20, 2006, we entered into an Indenture (the "Indenture"), for the issuance of $600 million of unsecured debt securities. The total debt issued was comprised of two tranches,

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(a) $350 million aggregate principal amount of senior unsecured notes bearing interest at the rate of 6.20% per annum, maturing on November 15, 2016 and (b) $250 million aggregate principal amount of senior unsecured notes bearing interest at the rate of 6.85% per annum, maturing on November 15, 2036. The notes are senior unsecured obligations of Reliance and rank equally with all other existing and future unsecured and unsubordinated debt obligations of Reliance. The senior unsecured notes include provisions that, in the event of a change in control and a downgrade of our credit rating, require us to make an offer to repurchase the notes at a price equal to 101% of their principal amount plus accrued interest.

At December 31, 2012, we also had $75.0 million of outstanding senior unsecured notes issued in private placements of debt. The outstanding senior notes bear interest at a fixed rate of 5.35% and mature in July 2013.

Our net debt-to-total capital ratio was 23.8% at December 31, 2012; down from December 31, 2011 rate of 28.4% (net debt-to-total capital is calculated as total debt, net of cash, divided by Reliance shareholders' equity plus total debt, net of cash).

As of December 31, 2012, we had $83.9 million of debt obligations coming due before our $1.5 billion revolving credit facility expires July 26, 2016. We are comfortable that we will have adequate cash flow and capacity on our revolving credit facility to fund our debt obligations as well as our working capital, capital expenditure, growth and other needs. We expect to continue our acquisition and other growth activities and anticipate that we will be able to fund such activities with cash from operations and borrowings under our revolving credit facility. However, to complete the acquisition of Metals USA, we will need to raise additional funds. See also discussion under "*Recent Developments*" in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations", for a merger agreement that we entered into in February 2013.

Covenants

The amended and restated revolving credit facility and the senior unsecured note agreements collectively require us to maintain a minimum net worth and interest coverage ratio and a maximum leverage ratio and include a change of control provision, among other things. Our interest coverage ratio for the twelve-month period ended December 31, 2012 was approximately 11.3 times compared to the debt covenant minimum requirement of 3.0 times (interest coverage ratio is calculated as net income attributable to Reliance plus interest expense and provision for income taxes and plus or minus any non-operating non-recurring loss or gain, respectively, divided by interest expense). Our leverage ratio as of December 31, 2012 calculated in accordance with the terms of the revolving credit facility was 25.8% compared to the financial covenant maximum amount of 60% (leverage ratio is calculated as total debt, inclusive of capital lease obligations and outstanding letters of credit, divided by Reliance shareholders' equity plus total debt). The minimum net worth requirement as of December 31, 2012 was $1.19 billion compared to Reliance shareholders' equity balance of $3.56 billion as of December 31, 2012.

Additionally, all of our 100%-owned domestic subsidiaries, which constitute the substantial majority of our subsidiaries, guarantee the borrowings under the revolving credit facility, the Indenture and the private placement notes. The subsidiary guarantors, together with Reliance, are required collectively to account for at least 80% of our consolidated EBITDA and 80% of consolidated tangible assets. Reliance and the subsidiary guarantors accounted for approximately 90% of our total consolidated EBITDA for the last twelve months and approximately 89% of total consolidated tangible assets as of December 31, 2012.

We were in compliance with all debt covenants as of December 31, 2012.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements or relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities,

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which are typically established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

As of December 31, 2012 and 2011, we were contingently liable under standby letters of credit in the aggregate amounts of $31.6 million and $35.5 million, respectively. The letters of credit related to insurance policies, construction projects, and outstanding bonds.

Contractual Obligations and Other Commitments

The following table summarizes our contractual obligations as of December 31, 2012. Certain of these contractual obligations are reflected on our balance sheet, while others are disclosed as future obligations under U.S. generally accepted accounting principles.

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
			(in millions)		
Long-Term Debt Obligations	$ 1,208.9	$ 83.6	$ 0.3	$ 875.0	$ 250.0
Estimated Interest on Long-Term Debt[1]	522.7	48.8	93.0	57.7	323.2
Operating Lease Obligations	264.1	55.9	83.7	56.1	68.4
Purchase Obligations Other[2]	108.2	24.1	48.8	34.7	0.6
Other Long-Term Liabilities Reflected on the Balance Sheet under GAAP[3]	47.0	5.3	6.8	7.2	27.7
Total	$ 2,150.9	$ 217.7	$ 232.6	$ 1,030.7	$ 669.9

(1) Interest is estimated using applicable rates as of December 31, 2012 for our outstanding fixed and variable rate debt based on their respective scheduled maturities. Also, the entire outstanding balance on the revolving credit facility of $525 million is assumed to remain unchanged until its maturity date in July 2016.

(2) The majority of our inventory purchases are completed within 30 to 120 days and therefore are not included in this table except for certain purchases where we have significant lead times or corresponding long-term sales commitments, typically for aerospace-related materials.

(3) Includes the estimated benefit payments for the next ten years for various long-term retirement plans. For qualified defined benefit plans we have only included the estimated employer contribution amounts for 2013 as funding projections beyond 2013 are not practical to estimate. We have excluded deferred income taxes of $466.3 million, long-term tax contingencies of $15.9 million and other long-term liabilities of $11.2 million from the amounts presented, as the amounts that will be settled in cash are not known and the timing of any payments is uncertain.

Contractual obligations for purchases of goods or services are defined as agreements that are enforceable and legally binding on our Company and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on our current needs and are typically fulfilled by our vendors within short time periods. In addition, some of our purchase orders represent authorizations to purchase rather than binding agreements. We do not have significant agreements for the purchase of goods specifying minimum quantities and set prices that exceed our expected requirements for three months. Therefore, agreements for the purchase of goods and services are not included in the table above except for certain purchases where we have significant lead times or corresponding long-term sales commitments, typically for aerospace-related materials.

The expected timing of payments of the obligations above is estimated based on current information. Timing of payments and actual amounts paid may be different, depending on the time of receipt of goods

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or services, pricing in effect at that time for inventory purchase commitments, or due to changes to agreed-upon amounts for some obligations.

Inflation

Our operations have not been, and we do not expect them to be, materially affected by general inflation. Historically, we have been successful in adjusting prices to our customers to reflect changes in metal prices.

Seasonality

Some of our customers are in seasonal businesses, especially customers in the construction industry and related businesses. Our geographic, product and customer diversity reduces the impact of seasonal trends on our operating results. However, revenues in the months of July, November and December traditionally have been lower than in other months because of a reduced number of working days for shipments of our products, resulting from vacation and holiday closures at some of our customers. We cannot assure you that period-to-period fluctuations will not occur in the future. Results of any one or more quarters are therefore not necessarily indicative of annual results.

Goodwill and Other Intangible Assets

Effective January 1, 2012, we revised our internal reporting package for our Chief Operation Decision Maker (our Chief Executive Officer) and our Board of Directors in order to better align internal reporting with the way performance is measured and key resource allocation decisions are made, which are primarily based on enterprise level data. As part of the segment reassessment process triggered by this change in accordance with the guidance provided within the *Segment Reporting* topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification"), we concluded that we have one operating segment and also one reporting unit for goodwill impairment purposes. There was no change in our reportable segments; we have one reportable segment, metals service centers.

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to $1.31 billion as of December 31, 2012, or approximately 22% of total assets or 37% of Reliance shareholders' equity. Additionally, other intangible assets, net amounted to $936.5 million at December 31, 2012, or approximately 16% of total assets or 26% of Reliance shareholders' equity. Goodwill and other intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests. Other intangible assets with finite useful lives are amortized over their useful lives. We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Refer to Critical Accounting Policies and Estimates for further discussion regarding judgments involved in testing for recoverability of our goodwill and other intangible assets.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discuss our Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. When we prepare these consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of our accounting policies require that we make subjective judgments, including estimates that involve matters that are inherently uncertain. Our most critical accounting estimates include those related to accounts receivable, inventories, income taxes, goodwill and intangible assets and long-lived assets. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances, the

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results of which form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting estimates, as discussed with our Audit Committee, affect our more significant judgments and estimates used in preparing our consolidated financial statements. (See Note 1 of the Notes to Consolidated Financial Statements for our Summary of Significant Accounting Policies.) There have been no material changes made to the critical accounting estimates during the periods presented in the Consolidated Financial Statements. We also have other policies that we consider key accounting policies, such as for revenue recognition, however these policies do not require us to make subjective estimates or judgments.

Accounts Receivable

We maintain an allowance for doubtful accounts to reflect our estimate of the uncollectability of accounts receivable based on an evaluation of specific potential customer risks. Assessments are based on legal issues (such as bankruptcy status), our past collection history, and current financial and credit agency reports along with current economic pressures impacting that customer or industry. Accounts that we determine to be uncollectible are reserved for or written off in the period in which the determination is made. Additional reserves are maintained based on our historical and probable future bad debt experience. If the financial condition of our customers were to deteriorate beyond our estimates, resulting in an impairment of their ability to make payments, we might be required to increase our allowance for doubtful accounts.

Inventories

A significant portion of our inventory is valued using the last-in, first-out ("LIFO") method. Under this method, older costs are included in inventory, which may be higher or lower than current costs. This method of valuation is subject to year-to-year fluctuations in our cost of material sold, which is influenced by the inflation or deflation existing within the metals industry as well as fluctuations in our product mix and on-hand inventory levels. At December 31, 2012, cost on the first-in, first-out ("FIFO") method exceeded our LIFO value of inventories by $138.8 million. The calculation of LIFO does not require us to make subjective estimates or judgments, except at interim reporting periods. Furthermore, considering that our current inventory values as reflected in our financial statements on a LIFO basis are significantly below FIFO costs, valuation of our inventories at the lower of cost or market is also not subject to significant estimates or judgments.

However, we do maintain allowances for estimated obsolescence or unmarketable inventory to reflect the difference between the cost of inventory and the estimated market value based on an evaluation of slow moving products and current replacement costs. If actual market conditions are less favorable than those anticipated by management, additional allowances may be required.

Income Taxes

We currently have significant deferred tax assets, which are subject to periodic recoverability assessments. Realizing our deferred tax assets principally depends upon our achieving projected future taxable income. We may change our judgments regarding future profitability due to future market conditions and other factors. We may adjust our deferred tax asset balances if our judgments change.

For information regarding our deferred tax assets and liabilities, provision for income taxes as well as information regarding differences between our effective tax rate and statutory rates, see Note 9 of the Notes to Consolidated Financial Statements. Our tax rate may be affected by future acquisitions, changes in the geographic composition of our income from operations, changes in our

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estimates of credits or deductions, changes in our assessment of tax exposure items, and the resolution of issues arising from tax audits with various tax authorities, among others.

Long-Lived Assets Goodwill and Indefinite-Lived Intangible Assets

We review the recoverability of goodwill and intangible assets deemed to have indefinite lives annually or whenever significant events or changes occur, which might impair the recovery of recorded costs. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill and intangible assets may not be recoverable, include a decline in our stock price and market capitalization, declines in the market conditions of our products, reductions in our future cash flow estimates, and slower growth rates in our industry, among others. We review the recoverability of our intangible assets deemed to have indefinite lives by making assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets, as necessary. We test for impairment of goodwill by assessing various qualitative factors with respect to developments in our business and the overall economy and calculating the fair value of a reporting unit using the discounted cash flow method, as necessary. We perform the required annual goodwill and intangible asset impairment evaluation as of November 1 of each year. No impairment of goodwill was determined to exist for the years ended December 31, 2012, 2011 or 2010. We recognized an impairment loss of $2.5 million related to one of our trade name intangible assets for the year ended December 31, 2012. No impairment of intangible assets with indefinite lives was recognized for the years ended December 31, 2011 or 2010.

Impairment assessment inherently involves judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Additionally, considerable declines in the market conditions for our products from current levels as well as in the price of our common stock could also significantly impact our impairment analysis. An impairment charge, if incurred, could be material.

Long-Lived Assets Other

We review the recoverability of our other-lived assets, primarily property, plant and equipment and intangible assets subject to amortization, and must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for these assets not previously recorded.

Impact of Recently Issued Accounting Standards

Please refer to Note 1 of the Notes to Consolidated Financial Statements for discussion of the impact of recently issued accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

In the ordinary course of business, we are exposed to various market risk factors, including changes in general economic conditions, domestic and foreign competition, foreign currency exchange rates, and metals pricing and availability.

Commodity price risk

Metal prices are volatile due to, among other things, fluctuations in foreign and domestic production capacity, raw material availability, metals consumption and foreign currency rates. Decreases in metal prices could adversely affect our revenues, gross profit and net income. Because we primarily purchase and sell in the "spot" market we are able to react quickly to changes in metals pricing. This strategy also limits our exposure to commodity prices to our inventories on hand. In an environment of increasing material

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costs our pricing usually increases as we try to maintain the same gross profit percentage and typically generate higher levels of gross profit and pre-tax income dollars for the same operational efforts. Conversely, if pricing declines, we will typically generate lower levels of gross profit and pre-tax income dollars. In periods where demand deteriorates rapidly and metal prices are declining significantly in a compressed period of time, a portion of our inventory on hand may be at higher costs than our selling prices, causing a significant adverse effect on our gross profit and pre-tax income margins. However, when prices stabilize and our inventories on hand reflect more current prices, our gross profit margins tend to return to more normalized levels.

Foreign exchange rate risk

Because we have foreign operations, we are exposed to foreign currency exchange gains and losses. The currency effects of translating the financial statements of our foreign subsidiaries, which operate in local currency environments, are included in accumulated other comprehensive loss and do not impact earnings unless there is a liquidation or sale of those foreign subsidiaries. We do not hedge our net investments in foreign subsidiaries due to the long-term nature of those investments.

Total foreign currency transaction gains and losses impacting earnings were as follows: $1.7 million of gain in 2012, $5.9 million of losses in 2011 and $0.2 million of gains in 2010. During 2012, our primary exposure to foreign currency rates that impacted our earnings related to certain outstanding intercompany balances with our Canadian operations that were not hedged.

Interest rate risk

We are exposed to market risk related to our fixed-rate and variable-rate long-term debt. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates. Changes in interest rates may affect the market value of our fixed-rate debt. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes and we do not currently anticipate repayment of our fixed-rate long-term debt prior to scheduled maturities.

Market risk related to our variable-rate debt is estimated as the potential decrease in pre-tax earnings resulting from an increase in interest rates. As of December 31, 2012, our total variable interest rate debt outstanding amounted to approximately $533.9 million, which was primarily comprised of the borrowings on our revolving credit facility of $525.0 million. A hypothetical 1% increase in interest rates on $533.9 million of debt would result in approximately $5.3 million of additional interest expense on an annual basis.

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Item 8. Financial Statements and Supplementary Data.

RELIANCE STEEL & ALUMINUM CO.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

All other schedules are omitted because either they are not applicable, not required or the information required is included in the Consolidated Financial Statements, including the notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Reliance Steel & Aluminum Co.:

We have audited the accompanying consolidated balance sheets of Reliance Steel & Aluminum Co. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2012. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule of valuation and qualifying accounts. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reliance Steel & Aluminum Co. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Reliance Steel & Aluminum Co.'s internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2013 expressed an unqualified opinion on the effectiveness of Reliance Steel & Aluminum Co.'s internal control over financial reporting.

/s/ KPMG LLP

Los Angeles, California
February 27, 2013

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RELIANCE STEEL & ALUMINUM CO.

CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 97.6	$ 84.6
Accounts receivable, less allowance for doubtful accounts of $20.5 at December 31, 2012 and $22.2 at December 31, 2011	807.7	896.2
Inventories	1,272.3	1,212.8
Prepaid expenses and other current assets	40.9	47.8
Income taxes receivable	28.4	
Deferred income taxes	30.5	33.3
Total current assets	2,277.4	2,274.7
Property, plant and equipment:		
Land	155.6	145.8
Buildings	725.1	656.8
Machinery and equipment	1,124.7	982.9
Accumulated depreciation	(764.7)	(680.0)
	1,240.7	1,105.5
Goodwill	1,314.6	1,244.3
Intangible assets, net	936.5	895.9
Cash surrender value of life insurance policies, net	45.2	41.9
Investments in unconsolidated entities	15.5	16.2
Other assets	27.8	27.4
Total assets	$ 5,857.7	$ 5,605.9
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 255.6	$ 335.2
Accrued expenses	87.4	54.0
Accrued compensation and retirement costs	112.8	111.0
Accrued insurance costs	38.8	42.1
Current maturities of long-term debt and short-term borrowings	83.6	12.2
Income taxes payable		21.9
Total current liabilities	578.2	576.4
Long-term debt	1,123.8	1,319.0