METALS USA INC
Form 10-Q
May 09, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

Commission File Number 333-132918

FLAG INTERMEDIATE HOLDINGS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**20-3779375**
(State or other jurisdiction	**(I.R.S. Employer**

of incorporation or organization)	**Identification No.)**

Commission File Number 001-13123

METALS USA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**76-0533626**
(State or other jurisdiction	**(I.R.S. Employer**
of incorporation or organization)	**Identification Number)**
2400 E. Commercial Blvd., Suite 905	
Fort Lauderdale, Florida	**33308**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (954) 202-4000

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

Indicate by check mark whether the registrant 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 x No ¨

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

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

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

Number of shares of common stock outstanding at May 1, 2012 of Flag Intermediate Holdings Corporation.: 100

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements included in this report, other than statements of historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These statements appear in a number of places, including Management s Discussion and Analysis of Financial Condition and Results of Operations. These statements represent our reasonable judgment on the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors that could cause our actual results and financial position to differ materially from those contemplated by the statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, believe, estimate, expect, forecast, may, should, plan, project and other words of similar meaning. In particular, these include, but are not limited to, statements relating to the following:

- *projected operating or financial results, including anticipated cash flows from operations and asset sale proceeds;*
- *expectations regarding capital expenditures, interest expense and other payments;*
- *our beliefs and assumptions relating to our liquidity position, including our ability to adapt to changing market conditions; and*
- *our ability to compete effectively for market share with industry participants.*

Any or all of our forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors including, among others:

- *supply, demand, prices and other market conditions for steel and other commodities;*
- *the timing and extent of changes in commodity prices;*
- *the effects of competition on our business lines;*
- *the condition of the steel and metal markets generally, which will be affected by interest rates, foreign currency fluctuations and general economic conditions;*
- *the ability of our counterparties to satisfy their financial commitments;*
- *tariffs and other government regulations relating to our products and services;*
- *adverse developments in our relationship with both our key employees and unionized employees;*

operational factors affecting the ongoing commercial operations of our facilities, including catastrophic weather-related damage, regulatory approvals, permit issues, unscheduled blackouts, outages or repairs, unanticipated changes in fuel costs or availability of fuel emission credits or workforce issues;

our ability to operate our businesses efficiently, manage capital expenditures and costs (including general and administrative expenses) and generate earnings and cash flow;

restrictive covenants in our indebtedness that may adversely affect our operational flexibility;

general political conditions and developments in the United States and in foreign countries whose affairs affect supply, demand and markets for steel, other metals and metal products;

our ability to retain key employees; and

our expectations with respect to our acquisition activity.

In addition, there may be other factors that could cause our actual results to be materially different from the results referenced in the forward-looking statements, some of which are included elsewhere in this report, including Management s Discussion and Analysis of Financial Condition and Results of Operations. Many of these factors will be important in determining our actual future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially from those expressed or implied in any forward-looking statements. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date they are made, and we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report, except as otherwise required by applicable law.

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FLAG INTERMEDIATE HOLDINGS CORPORATION AND

SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. ***FINANCIAL STATEMENTS***

FLAG INTERMEDIATE HOLDINGS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash	$ 7.8	$ 5.9
Accounts receivable, net of allowance of $6.1 and $6.9, respectively	244.9	212.2
Inventories	420.4	402.5
Deferred income tax asset	4.0	7.9
Prepayments and other	6.2	9.4
Total current assets	683.3	637.9
Property and equipment, net	250.3	247.8
Intangible assets, net	34.2	26.6
Goodwill	55.9	52.8
Other assets	12.8	13.5
Total assets	$ 1,036.5	$ 978.6
Liabilities and Stockholder s Equity		
Current liabilities:		
Accounts payable	$ 116.8	$ 110.0
Accrued liabilities	38.2	28.7
Payable to parent	10.1	10.2
Current portion of long-term debt	1.0	1.0
Total current liabilities	166.1	149.9
Long-term debt, less current portion	497.2	467.6
Deferred income tax liability	70.4	71.0
Due to parent	47.0	47.0
Other long-term liabilities	18.3	22.4
Total liabilities	799.0	757.9
Commitments and contingencies		
Stockholder s equity:		
Common stock, $0.01 par value, 100 shares authorized, issued and outstanding at March 31, 2012 and December 31, 2011		
Additional paid-in capital	129.2	128.5
Retained earnings	107.9	91.9
Accumulated other comprehensive income	0.4	0.3
Total stockholder s equity	237.5	220.7

Total liabilities and stockholder s equity	$ 1,036.5	$ 978.6

See notes to unaudited condensed consolidated financial statements.

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FLAG INTERMEDIATE HOLDINGS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in millions)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Net sales	$ 525.3	$ 432.3
Operating costs and expenses:		
Cost of sales (exclusive of operating and delivery, and depreciation and amortization shown below)	407.1	329.7
Operating and delivery	51.0	41.1
Selling, general and administrative	27.7	26.8
Depreciation and amortization	5.3	4.8
(Gain) loss on sale of property and equipment	(0.1)	0.1
Operating income	34.3	29.8
Other expense:		
Interest expense	10.3	9.8
Income before income taxes	24.0	20.0
Provision for income taxes	7.9	8.1
Net income	$ 16.1	$ 11.9
Other comprehensive income:		
Foreign currency translation adjustments	0.1	0.1
Deferred hedging gains		0.1
Total other comprehensive income	0.1	0.2
Total comprehensive income	$ 16.2	$ 12.1

See notes to unaudited condensed consolidated financial statements.

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FLAG INTERMEDIATE HOLDINGS CORPORATION AND SUBSIDIARIES

UNADUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	$ 16.1	$ 11.9
Adjustments to reconcile net income to net cash used in operating activities:		
(Gain) loss on sale of property and equipment	(0.1)	0.1
Provision for bad debts	0.6	0.7
Depreciation and amortization	5.8	5.3
Amortization of debt issuance costs	0.8	0.7
Deferred income taxes	0.2	3.4
Stock-based compensation	0.6	0.4
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(31.9)	(54.6)
Inventories	(17.1)	(29.4)
Prepayments and other	3.2	0.6
Accounts payable and accrued liabilities	15.5	14.5
Other operating	0.2	0.1
Net cash used in operating activities	(6.1)	(46.3)
Cash flows from investing activities:		
Sales of assets		0.1
Purchases of assets	(4.5)	(2.0)
Acquisition costs, net of cash acquired	(17.0)	(88.8)
Net cash used in investing activities	(21.5)	(90.7)
Cash flows from financing activities:		
Borrowings on credit facility	93.1	133.4
Repayments on credit facility	(63.3)	
Repayments of long-term debt	(0.2)	(0.1)
Deferred financing costs	(0.1)	(0.7)
Net cash provided by financing activities	29.5	132.6
Net increase (decrease) in cash	1.9	(4.4)
Cash, beginning of period	5.9	15.2
Cash, end of period	$ 7.8	$ 10.8
Supplemental Cash Flow Information:		
Cash paid for interest	$ 3.2	$ 2.9
Cash paid for income taxes	$ 1.1	$ 0.1
Cash received for income taxes	$ (0.2)	$ (0.1)

Investments in property and equipment not paid	$ 0.1	$ 0.1

See notes to unaudited condensed consolidated financial statements.

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FLAG INTERMEDIATE HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars in millions)

1. Basis of Presentation and Summary of Significant Accounting Policies

Flag Intermediate Holdings Corporation (Flag Intermediate) and its wholly-owned subsidiary Metals USA, Inc. (Metals USA) and the wholly-owned subsidiaries of Metals USA are referred to collectively herein as the Company, we or our. Metals USA prior to its November 30, 2005 acquisition by Apollo Management V L.P. (Apollo Management and together with its affiliated investment entities Apollo or Apollo V) (the Merger) is referred to herein as the Predecessor Company. The condensed consolidated financial statements include the accounts of Flag Intermediate, and Metals USA and its subsidiaries. Intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements. Flag Intermediate and Metals USA are wholly-owned subsidiaries of Metals USA Holdings Corp. (Metals USA Holdings).

The interim condensed consolidated financial statements included herein are unaudited; however, they include adjustments of a normal recurring nature which, in our opinion, are necessary to present fairly the interim condensed consolidated financial information as of and for the periods indicated. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the entire year. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and (iii) the reported amount of net sales and expenses recognized during the periods presented. Adjustments made with respect to the use of estimates often relate to improved information not previously available. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements; accordingly, actual results could differ from these estimates.

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05 Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05) which amends some of the guidance in ASC Topic 220 Comprehensive Income regarding how companies must present comprehensive income. The main provisions of ASU 2011-05 provide that an entity that reports items of other comprehensive income has the option to present comprehensive income in either a single statement or two separate statements. A single statement would contain the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for all comprehensive income. In a two-statement approach, an entity must present the components of net income and total net income in the first statement. That statement must be immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for all comprehensive income. The ASU is intended to increase the prominence of other comprehensive income in financial statements and to facilitate convergence of U.S. GAAP and International Financial Reporting Standards. The amendments in ASU 2011-05 are to be applied retrospectively. For public entities, the ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2011. The Company has adopted ASU 2011-05 within its condensed consolidated financial statements for the quarter ended March 31, 2012. ASU 2011-05 impacts presentation only and has no effect on the Company s financial condition, results of operations, or cash flows.

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2. Acquisitions

Gregor Technologies

On March 12, 2012, we acquired all of the issued and outstanding membership interests of Gregor Technologies, LLC and an affiliated company (Gregor) for $17.0. The purchase was funded with borrowings under our $500.0 amended and restated senior secured asset-based credit facility due 2015 (the ABL facility) and $3.0 of the purchase price was placed in escrow to secure seller s indemnity obligations with respect to certain representations and warranties.

Established in 1989, Gregor provides custom-crafted parts and assemblies to original equipment manufacturers in several end markets, including industrial equipment, manufacturing, scientific instruments, electronics, aerospace, homeland security and defense. Gregor operates a 70,000 square foot metal processing facility in Torrington, Connecticut. We believe the acquisition will broaden our participation in both new and existing end markets with Gregor s value-added processing and service offerings.

The excess of the aggregate purchase price over the estimated fair value of the net assets acquired was $3.6, which was allocated to goodwill. Goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of Metals USA and Gregor. The Gregor acquisition was a taxable business combination and as such, the entire amount of goodwill recognized is expected to be deductible for income tax purposes. All of the goodwill was assigned to the Company s Flat Rolled and Non-Ferrous Segment (see Note 4).

The estimated amount of goodwill and related allocations of the fair values assigned to assets acquired and liabilities assumed are based on preliminary data and are subject to change based on the final valuation of tangible and intangible assets. The following table presents the preliminary allocation of the acquisition cost to the assets acquired and liabilities assumed, based on their estimated fair values:

Accounts receivable, trade	$ 1.4
Inventories	0.7
Property and equipment	3.5
Intangible assets	8.5
Goodwill	3.6
Total assets acquired	17.7
Accounts payable and accrued liabilities	0.7
Total liabilities assumed	0.7
Net assets acquired	$ 17.0

Results for the three months ended March 31, 2012 include operating results from the Gregor acquisition from the date of the acquisition closing. Gregor contributed $0.6 of incremental sales and $0.1 of incremental operating income for the three months ended March 31, 2012. Acquisition-related costs for the three months ended March 31, 2012 amounted to approximately $0.4 and are included in selling, general and administrative expenses in the Company s condensed consolidated statement of operations and comprehensive income.

The pro forma effects of the Gregor acquisition would not have been material to our results of operations for the three months ended March 31, 2011 and 2012, and therefore are not presented.

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The Richardson Trident Company

On March 11, 2011, we acquired all of the issued and outstanding stock of The Richardson Trident Company (Trident). Trident s results of operations have been included in the condensed consolidated statement of operations and comprehensive income since the date of acquisition. Trident is a general line metal service center with fabricating capabilities designed to service the oil and gas industry, and is also a wholesale distributor of metals, plastics and electronic parts. Trident operates under The Richardson Trident Company and The Altair Company trade names. Trident s principal facility is in Richardson, Texas with branch locations in Houston, Austin, El Paso, Harlingen and Odessa, Texas; Tulsa, Oklahoma; Olathe, Kansas; Los Angeles, California; Boston, Massachusetts and Thomasville, Georgia. The Company paid $90.4 in cash for the stock of Trident, which included $54.2 for the repayment of Trident debt, and $1.8 in the form of a note payable, for a total purchase price of $92.2. The purchase was funded with borrowings under our the ABL facility.

The excess of the aggregate purchase price over the estimated fair value of the net assets acquired was $8.3, which was allocated to goodwill. Goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of Metals USA and Trident. All of the goodwill was assigned to the Company s Flat Rolled and Non-Ferrous Segment. The Trident acquisition was a taxable business combination and as such, the entire amount of the goodwill recognized is expected to be deductible for income tax purposes. The customer list intangible asset will be amortized on an accelerated basis over twelve years based on its estimated useful life.

The following table presents the allocation of the acquisition cost to the assets acquired and liabilities assumed, based on their estimated fair values:

Cash.	$ 2.2
Accounts receivable, trade	17.2
Inventories	18.1
Other current assets	0.1
Property and equipment	47.8
Customer list intangible asset	19.0
Trade name intangible asset	3.3
Goodwill	8.3
Total assets acquired	116.0
Accounts payable and accrued liabilities	23.8
Note payable	1.8
Total liabilities assumed	25.6
Net assets acquired	$ 90.4

Results for the quarter ended March 31, 2011 include operating results from the Trident acquisition from the date of the acquisition closing, which occurred on March 11, 2011. Trident contributed $9.2 of incremental sales and $0.6 of operating income for the quarter ended March 31, 2011. Acquisition-related costs for the period ended March 31, 2011 amounted to approximately $1.2 million, and are included in selling, general and administrative expenses in the Company s condensed consolidated statement of operations and comprehensive income.

Trident provides a broad range of metals and processing services with a product mix that emphasizes aluminum, stainless steel and nickel. The majority of Trident s customer base operates in the oil and gas services sector. Trident also serves customers in the aerospace, defense and transportation industries. Processing services include precision sawing, boring, honing, slitting, sheeting, shearing and turning. Trident also offers supply chain solutions such as just-in-time delivery and value-added components required by original equipment manufacturers. As a result of the acquisition, we expect to increase our non-ferrous and value-added processing product and service offerings in the geographic areas and end markets that Trident currently serves.

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The following unaudited pro forma information presents our consolidated results of operations as if the Trident acquisition had occurred on January 1, 2010, after the effect of certain adjustments, including increased depreciation expense resulting from recording fixed assets at fair value, interest expense on the acquisition debt, amortization of certain identifiable intangible assets, severance costs for certain Trident employees that were terminated as of the acquisition date, certain other non-recurring costs that we will not incur after taking control of Trident, and a provision for income taxes for Trident, which was previously treated as an S-Corporation.

	Three Months Ended March 31, 2011
Net sales	458.1
Net income	11.3

3. Inventories

Inventories consist of the following:

	March 31, 2012	December 31, 2011
Raw materials		
Plates and Shapes	$ 156.9	$ 151.4
Flat Rolled and Non-Ferrous	213.0	198.5
Building Products	4.7	4.7
Total raw materials	374.6	354.6
Work-in-process and finished goods		
Flat Rolled and Non-Ferrous	36.2	38.8
Building Products	9.6	9.1
Total work-in-process and finished goods	45.8	47.9
Total inventories	$ 420.4	$ 402.5

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4. Goodwill and Intangible Assets

The changes in the carrying amounts of goodwill by segment for the three months ended March 31, 2012 are as follows:

	As of December 31, 2011	Acquisitions/ Purchase Accounting Adjustments	Realization of Tax Benefits/Other	As of March 31, 2012
Plates and Shapes				
Gross Goodwill and				
Carrying Amount of Goodwill	$ 14.5	$	$ (0.1)	$ 14.4
Flat Rolled and Non-Ferrous				
Gross Goodwill and				
Carrying Amount of Goodwill	32.7	3.6		36.3
Building Products				
Gross Goodwill and				
Carrying Amount of Goodwill	2.2			2.2
Corporate				
Gross Goodwill	7.6		(0.4)	7.2
Impairments	(4.2)			(4.2)
Carrying Amount of Goodwill	3.4		(0.4)	3.0
Consolidated Total				
Gross Goodwill	57.0	3.6	(0.5)	60.1
Impairments	(4.2)			(4.2)
Carrying Amount of Goodwill	$ 52.8	$ 3.6	$ (0.5)	$ 55.9

Additions to goodwill recorded at the Flat Rolled and Non-Ferrous segment for the three months ended March 31, 2012 are attributable to the Gregor acquisition, which closed on March 12, 2012, discussed in Note 2. Reductions to goodwill at the Corporate and Plates and Shapes segments for the three months ended March 31, 2012 are primarily attributable to accounting for tax benefits associated with tax-deductible goodwill recognized in connection with the Merger and the acquisition of Port City Metal Services (Port City), which were taxable business combinations.

The carrying amounts of the Company s intangible assets are as follows:

	March 31, 2012	December 31, 2011
Customer lists	$ 61.7	$ 61.7
Less: Accumulated amortization	(42.2)	(41.4)
	$ 19.5	$ 20.3
Trade names	$ 6.6	$ 6.6
Less: Accumulated amortization	(1.2)	(1.1)
	$ 5.4	$ 5.5
Fulfillment contract	$ 0.8	$ 0.8
Less: Accumulated amortization		

	$	0.8	$	0.8
Gregor intangible assets	$	8.5	$	
Less: Accumulated amortization				
	$	8.5	$	

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During the three months ended March 31, 2012, we acquired an estimated $8.5 of intangible assets as a result of the Gregor acquisition discussed in Note 2. We are still in the process of allocating the purchase price of Gregor to the tangible and identifiable intangible assets acquired and liabilities assumed given the limited time since the acquisition date. We expect to provide such information in our quarterly report on Form 10-Q for the three and six months ended June 30, 2012.

Aggregate amortization expense for the three months ended March 31, 2012 and 2011 was $0.9 and $0.8, respectively. Aggregate remaining amortization of our intangible assets, excluding estimates for the recently acquired Gregor intangible assets, is as follows:

For the Year Ending December 31,	Estimated Amortization Expense
2012 (remaining 9 months)	$ 2.8
2013	$ 3.5
2014	$ 3.2
2015	$ 3.0
2016	$ 2.6
Thereafter	$ 10.6

5. Fair Value Measurements

ASC Topic 820 Fair Value Measurements and Disclosures (ASC 820) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 classifies the inputs used to measure fair value into the following hierarchy:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity, but which are significant to the fair value of the assets or liabilities as determined by market participants.

As of March 31, 2012, the Company held certain items that are required to be measured at fair value on a recurring basis. Our receivables, payables, prepayments and accrued liabilities are current assets and obligations and, accordingly, the recorded values are believed by management to approximate fair value. Our 11 $^{1/8}$% Senior Secured Notes due 2015 (the Metals USA Notes) are thinly traded public debt instruments; accordingly, their market prices at any balance sheet date may not be representative of the prices which would be derived from a more active market. The fair value of publicly traded debt is determined based on quoted market prices, which is considered Level 1. The fair value of the Company s debt that is not traded and is fixed-rate is estimated by discounting the interest payments and principal amount at the Company s current borrowing rate (yield to maturity), which is considered Level 2. For floating rate debt that is not traded, fair value is not sensitive to interest rates since coupons float with Treasury or London Interbank Offered Rate (LIBOR) yields, and book value is a reasonable approximation of fair value after considering the stability of the Company s default risk. The estimated fair value of current and long-term debt at March 31, 2012 and December 31, 2011 was $544.7 and $514.2, respectively.

In December 2007, Ohio River Metal Services, which we acquired in December 2010, entered into an interest rate swap agreement in connection with the Jeffersonville, Indiana Industrial Revenue Bonds (IRBs) discussed in Note 8. The interest rate swap derivative is valued using market data which is derived by combining certain inputs with quantitative models and processes to generate interest rate forward curves and discount factors. The notional amount under the swap corresponds to the principal amount of one of the Jeffersonville,

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Indiana IRBs, which was $4.0 as of March 31, 2012. The Company has categorized the swap contract as Level 2. The fair value of the interest rate swap liability was $0.5 and $0.6 as of March 31, 2012 and December 31, 2011, respectively. Pretax realized losses from the interest rate swap recognized as interest expense during the three months ended March 31, 2012 and 2011 were not material.

6. Other Assets

Other assets consist of the following:

	March 31, 2012	December 31, 2011
Deferred financing costs	$ 9.1	$ 9.7
Deferred debt offering costs	2.6	2.8
Other	1.1	1.0
Total other assets	$ 12.8	$ 13.5

Aggregate amortization of debt issuance costs for the three months ended March 31, 2012 and 2011 was $0.8 and $0.7, respectively.

7. Accrued Liabilities

Accrued liabilities consist of the following:

	March 31, 2012	December 31, 2011
Salaries and employee benefits	$ 10.7	$ 15.1
Income taxes	6.1	
Taxes, other than income	3.0	3.4
Interest	9.0	2.6
Insurance	4.2	4.2
Audit and tax fees	0.8	0.7
Warranty liability	0.6	0.6
Lease terminations	0.1	0.2
Other	3.7	1.9
Total accrued liabilities	$ 38.2	$ 28.7

8. Debt

Debt consists of the following:

	March 31, 2012	December 31, 2011
Senior Secured Asset-Based Revolving Credit Facility (ABL facility)	$ 257.5	$ 227.7
11 $^{1}/8$% Senior Secured Notes due 2015 (Metals USA Notes)	226.3	226.3
Industrial Revenue Bonds (IRBs)	12.6	12.6
Due to Parent	47.0	47.0
Captial lease and other obligations	1.8	2.0
Total debt	545.2	515.6

Less current portion of debt	1.0	1.0
Total long-term portion of debt	$ 544.2	$ 514.6

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The weighted average interest rates under the ABL facility for the three months ended March 31, 2012 and 2011were 2.57% and 3.27%, respectively.

Senior Secured Asset-Based Revolving Credit Facility

On December 17, 2010, Flag Intermediate, Metals USA, and certain subsidiaries of Metals USA entered into an amended and restated loan and security agreement (the ABL Credit Agreement) with the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent. Flag Intermediate and Metals USA are wholly-owned subsidiaries of Metals USA Holdings Corp.

The ABL Credit Agreement provides for borrowings of up to $500.0 of Tranche A commitments and $35.0 of first-in last-out (FILO) Tranche A-1 commitments (which may be increased up to $750.0 at the option of Metals USA, including $35.0 under the FILO tranche)), under the 5-year, senior secured ABL facility that amended and restated Metals USA s then-existing $625.0 senior secured asset-based credit facility that was scheduled to mature on November 30, 2011.

On March 9, 2011, we activated $25.0 of the FILO tranche under the ABL facility. The ABL facility permits us to borrow on a revolving basis through the earlier of November 30, 2015 and 60 days prior to the scheduled maturity of the Metals USA Notes, unless the Metals USA Notes are refinanced to a date more than 5 years and 60 days after the closing date of the ABL facility and/or repaid prior to such date. Substantially all of our subsidiaries are borrowers under the ABL facility.

On August 10, 2011, we amended the ABL facility by reducing the borrowing costs on the Tranche A commitments by 75 basis points and reducing the borrowing costs on the FILO tranche by 62.5 basis points. Under the amendment, the maturity date of the ABL facility was extended to the earlier of August 10, 2016 and 60 days prior to the scheduled maturity of the Metals USA Notes, unless the Metals USA Notes are refinanced to a date more than 5 years and 60 days after the closing date of the ABL facility and/or repaid prior to such date. The ABL facility remains subject to the same acceleration provision with respect to the maturity of the Metals USA Notes described below.

Borrowing Base. The maximum availability under the ABL facility is based on eligible receivables and eligible inventory, subject to certain reserves. Our borrowing availability fluctuates daily with changes in eligible receivables and inventory, less outstanding borrowings and letters of credit. The borrowing base is equal to:

- 85% of the net amount of eligible accounts receivable, plus

- the lesser of (x) 80% of the lesser of the original cost or market value of eligible inventory and (y) 90% of the net orderly liquidation value of eligible inventory, plus

- an incremental amount of the lesser of (x) the maximum commitments under the FILO tranche and (y) the sum of (i) 5% of the net amount of eligible accounts receivable and (ii) 5% of the net orderly liquidation value of eligible inventory during the effectiveness of any FILO tranche, less

- reserves.

The ABL facility provides sub-limits for up to $25.0 of swingline loans and up to $100.0 for the issuance of letters of credit. Both the face amount of any outstanding letters of credit and any swingline loans will reduce borrowing availability under the ABL facility on a dollar-for-dollar basis.

As of March 31, 2012, we had $463.8 of eligible collateral, $257.5 in outstanding advances, $24.2 in open letters of credit and $182.1 of additional borrowing capacity.

Guarantees and Security. Substantially all of our subsidiaries are defined as borrowers under the ABL Credit Agreement. The obligations under the ABL facility are guaranteed by Flag Intermediate and certain of our domestic subsidiaries and are secured by a first-priority lien and security interest in, among other things, accounts

receivable, inventory and deposit accounts of Flag Intermediate, Metals USA and the subsidiaries of Metals USA party to the ABL Credit Agreement and a second-priority lien and security interest in, among other things, substantially all other tangible and intangible personal and real property owned by such companies, subject to certain exceptions.

Interest Rate and Fees. At Metals USA s option, interest accrues on the loans made under the ABL facility at either LIBOR plus a specified margin (set at 1.75% (3.25% for the FILO tranche) as of March 31, 2012), or the base rate (which is based off of the federal funds rate plus 0.50%, Bank of America s prime rate or LIBOR plus 1.00%), plus a specified margin (set at 0.75% (2.25% for the FILO tranche) as of March 31, 2012). Under the ABL facility amendment that was executed on August 10, 2011, the specified margins over LIBOR were reduced by 75 basis points for the Tranche A commitments and 62.5 basis points for the FILO tranche. The marginal rates vary based on our average monthly excess availability (as defined in the ABL Credit Agreement). The applicable base rate and the effective LIBOR rate for the loans made under the ABL facility were 3.25% and 0.47%, respectively, as of March 31, 2012.

A commitment fee is payable on any unused commitment equal to 0.25% per annum to the lenders under the ABL facility if utilization under the facility exceeds 40.0% of the total commitments under the facility and a commitment fee equal to 0.375% per annum if utilization under the facility is less than or equal to 40.0% of the total commitments under the facility. Customary letter of credit fees are also payable, as necessary.

Certain Conditions Precedent and Covenants. As a condition precedent to any borrowing or issuance of a letter of credit, a material adverse effect shall not have occurred or exist. The ABL facility contains customary representations, warranties and covenants, including limitations on our ability to incur or guarantee additional debt, subject to certain exceptions, pay dividends, or make redemptions and repurchases, with respect to capital stock, repay debt, create or incur certain liens, make certain loans or investments, make acquisitions or investments, engage in mergers, acquisitions, asset sales, and engage in certain transactions with affiliates. The ABL facility requires a lock-box arrangement for collection of accounts receivable and proceeds from sales of inventory. Metals USA may make withdrawals from the lock-box unless an event of default exists or borrowing availability is less than the greater of (i) $50.0 and (ii) 12.5% of the lesser of (A) the borrowing base (not to exceed $62.5) and (B) the aggregate commitment. We do not have to maintain a minimum fixed charge coverage ratio (FCCR) as long as our borrowing availability is greater than or equal to the greater of (i) $45.0 and (ii) 10% of the lesser of the borrowing base and the aggregate commitment (the Minimum Availability). We must maintain an FCCR of at least 1.0 to 1.0 if borrowing availability falls below the Minimum Availability. For purposes of determining covenant compliance, the FCCR is determined by dividing (i) the sum of Adjusted EBITDA (as defined in the ABL Credit Agreement) minus income taxes paid in cash (excluding certain specified deferred taxes) minus non-financed capital expenditures by (ii) the sum of certain distributions paid in cash, cash interest expense and scheduled principal reductions on debt, and is calculated based on such amounts for the most recent period of four consecutive fiscal quarters for which financial statements are available. FCCR and Adjusted EBITDA are each calculated on a pro forma basis. As of March 31, 2012, our FCCR was 2.87.

Certain Events of Default and Remedies. The ABL facility contains events of default with respect to: default in payment of principal when due, default in the payment of interest, fees or other amounts after a specified grace period, material breach of the representations or warranties, default in the performance of covenants, a default that causes or permits acceleration under any indebtedness with a principal amount in excess of a specified amount, certain bankruptcy events, certain ERISA violations, invalidity of certain security agreements or guarantees, material judgments, or a change of control. In the event of default, the ABL Credit Agreement may permit a majority of the lenders to: (i) restrict the amount of or refuse to make revolving loans; (ii) cause customer receipts to be applied against borrowings under the ABL facility which would cause Metals USA to suffer a rapid loss of liquidity and restrict the ability to operate on a day-to-day basis; (iii) restrict or refuse to provide letters of credit; or ultimately: (iv) terminate the commitments and the agreement; or (v) declare any or all obligations to be immediately due and payable if such default is not cured in the specified period required. Any payment default or acceleration under the ABL facility would also result in a default under the Metals USA Notes that would provide the holders of the Metals USA Notes with the right to demand immediate repayment.

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Costs related to the establishment of the ABL facility, in addition to subsequent amendments to the ABL facility, were capitalized and are being charged to interest expense over the life of the ABL facility. Unamortized financing costs of $9.1 and $9.7 were included in other non-current assets as of March 31, 2012 and December 31, 2011, respectively.

11 1/8% Senior Secured Notes Due 2015

On November 30, 2005, Flag Acquisition Corporation (Flag Acquisition) sold $275.0 aggregate principal amount of the Metals USA Notes. The Metals USA Notes bear interest at a rate per annum equal to 11 1/8%, payable semi-annually in arrears, on June 1 and December 1 of each year, commencing on June 1, 2006. The Metals USA Notes will mature on December 1, 2015. We may redeem some or all of the Metals USA Notes at any time on or after December 1, 2010 at a predetermined redemption price plus accrued and unpaid interest and additional interest, if any, to the applicable redemption date. If we experience a change of control and we do not redeem the Metals USA Notes, we will be required to make an offer to repurchase the Metals USA Notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

As a result of the Merger, Metals USA assumed the obligations of Flag Acquisition including the Metals USA Notes. All domestic operating subsidiaries of Metals USA have agreed, jointly and severally with Flag Intermediate (Guarantors), to unconditionally and irrevocably guarantee Metals USA s obligations under the Metals USA Notes and Indenture dated as of November 30, 2005 (the Metals USA Notes Indenture or the Indenture). Additionally, Flag Intermediate has unconditionally agreed to be a primary obligor of the due and punctual payment and performance of the obligations under the Indenture.

Metals USA Holdings is not a guarantor of the Metals USA Notes. There is a limitation on the amount of funds which can be transferred by the Guarantors to Metals USA Holdings in the form of dividends. Such amount available for distribution shall be increased by an amount equal to 50% of Consolidated Net Income, as defined, or reduced by an amount equal to 100% of Consolidated Net Loss, as defined. As of March 31, 2012, $37.2 was available for general distribution under the restricted payment covenant contained in the Metals USA Notes Indenture.

The indebtedness evidenced by the Metals USA Notes and the guarantees will rank: equally with all of our and the Guarantors existing and future senior indebtedness; junior in priority as to collateral that secures the ABL facility on a first-priority lien basis with respect to our and the Guarantors obligations under the ABL facility, any other debt incurred after December 1, 2005 that has a priority security interest relative to the Metals USA Notes in the collateral that secures the ABL facility, any hedging obligations related to the foregoing debt and all cash management obligations incurred with any lender under the ABL facility; equal in priority as to collateral that secures the Metals USA Notes and the guarantees on a first-priority lien basis with respect to our and the Guarantors obligations under any other equivalent priority lien obligations incurred after December 1, 2005; and senior to all of our and the Guarantors existing and future subordinated indebtedness. The Metals USA Notes will also be effectively junior to the liabilities of any non-guarantor subsidiaries.

The Metals USA Notes contain covenants that are customary for similar debt instruments, including limitations on our or the Guarantors ability to incur or guarantee additional debt, subject to certain exceptions, pay dividends, or make redemptions and repurchases with respect to capital stock, create or incur certain liens, make certain loans or investments, make acquisitions or investments, engage in mergers, acquisitions, asset sales and sale lease-back transactions, and engage in certain transactions with affiliates.

The Metals USA Notes Indenture contains certain customary events of default, including (subject, in some cases, to customary cure periods) defaults based on (1) the failure to make payments under the Metals USA Notes Indenture when due, (2) breach of covenants, (3) cross-defaults to other material indebtedness, (4) bankruptcy events and (5) material judgments. We were in compliance with all financial covenants as of March 31, 2012.

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Costs related to the establishment of the Metals USA Notes were capitalized and are being charged to interest expense over the life of the Metals USA Notes. Unamortized issuance costs of $2.6 and $2.8 were included in other non-current assets as of March 31, 2012 and December 31, 2011, respectively.

Industrial Revenue Bonds

Metals USA is a conduit bond obligor on IRBs issued by the municipalities of Muskogee, Oklahoma and Jeffersonville, Indiana. The IRBs are secured by certain real estate, leasehold improvements and equipment acquired with proceeds from the IRBs. The Muskogee IRB is due in one lump sum of $5.7 on May 1, 2023. The Jeffersonville IRBs had principal amounts outstanding of $4.0 and $2.9 as of March 31, 2012, and are being redeemed in varying amounts annually through August 2021 and December 2027, respectively. The interest rates assessed on the IRBs vary from month to month. As of March 31, 2012, the weighted average variable interest rate on the IRBs was 0.37%. The IRBs place various restrictions on certain of our subsidiaries, including but not limited to maintenance of required insurance coverage, maintenance of certain financial ratios, limits on capital expenditures and maintenance of tangible net worth and are supported by letters of credit. We were in compliance with all financial covenants as of March 31, 2012.

Intercompany Loan Agreement

Metals USA Holdings has made advances to Metals USA through an intercompany loan agreement, as amended (the Loan Agreement), which totaled $47.0 as of March 31, 2012 and December 31, 2011. The advances have been primarily to accommodate working capital expansion and the J. Rubin acquisition in June 2010. In June 2011, the Loan Agreement was amended to extend the maturity date to June 15, 2017, and to modify the rate at which borrowings under the Loan Agreement bear interest to LIBOR plus 6.00% per annum. The aggregate amount of Metals USA Holdings commitment under the Loan Agreement is $50.0. For the three months ended March 31, 2012 and 2011, Metals USA recognized $1.1 and $0.8 of interest expense related to the Loan Agreement, respectively.

9. Stockholder s Equity

Common Stock

In accordance with its certificate of incorporation dated November 3, 2005, Flag Intermediate was authorized to issue 100 shares of capital stock, all of which were shares of common stock, $0.01 par value. All such shares are issued and outstanding at March 31, 2012, and are owned by Metals USA Holdings through Flag Intermediate, its wholly-owned subsidiary.

10. Stock-Based Compensation

Total stock-based compensation expense recognized for the three months ended March 31, 2012 and 2011 was $0.6 and $0.4, respectively. Stock-based compensation expense is included in our condensed consolidated statements of operations and comprehensive income in selling, general and administrative expense.

2005 Stock and Incentive Plan

Metals USA Holdings Amended and Restated 2005 Stock and Incentive Plan (the 2005 Plan) permits the issuance of options and restricted stock awards to employees and directors of the Company. The 2005 Plan has reserved for issuance up to 2.4 million shares of common stock. The 2005 Plan has two tranches of options, Tranche A and Tranche B. Tranche A options vest on a pro-rata basis over five years, have a term of ten years, and expire if not exercised. Tranche B options, which include both a service and a performance condition, vest on the eighth anniversary of the date of grant or earlier dependent on the satisfaction of an internal rate of return on capital invested, have a term of ten years from date of grant, and expire if not exercised.

Tranche A Options

As of March 31, 2012, Tranche A options for 401,232 shares were outstanding, 389,553 of which were exercisable. The weighted average exercise price of these options is $3.21 per share, with an aggregate intrinsic value of $4.5. The Tranche A options have a weighted average remaining contractual life of approximately 3.8 years. Compensation expense associated with the Tranche A options has been fully recognized as of March 31, 2012.

Tranche B Options

As of March 31, 2012, Tranche B options for 47,112 shares were outstanding, all of which were exercisable. The exercise price of these options is $2.30 per share, with an aggregate intrinsic value of $0.6. The Tranche B options have a weighted average remaining contractual life of approximately 3.7 years. Compensation expense associated with the Tranche B options has been fully recognized as of March 31, 2012.

2010 Long-Term Incentive Plan

On March 19, 2010, our Board of Directors adopted, and our stockholders approved, the Metals USA Holdings 2010 Long-Term Incentive Plan (the 2010 Plan). The purposes of the 2010 Plan are to further the growth and success of Metals USA and to reward and incentivize the outstanding performance of our key employees, directors, consultants and other service providers by aligning their interests with those of stockholders through equity-based compensation and enhanced opportunities for ownership of shares of our common stock.

Subject to adjustment, the 2010 Plan authorizes the issuance of up to 2.6 million shares of common stock pursuant to the grant or exercise of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and other equity-based awards.

The 2010 Plan is administered by our Board of Directors or the Compensation Committee thereof, or such other committee of the Board of Directors as the Board of Directors may designate from time to time (the Committee). Among other things, the Committee has the authority to select individuals to whom awards may be granted, to determine the type of award, to determine the terms and conditions of any such awards, including vesting terms, to interpret the terms and provisions of the 2010 Plan and awards granted thereunder and to otherwise administer the plan.

Stock Options

September 2010 Grants

On September 13, 2010, pursuant to the 2010 Plan, 632,000 options to acquire the Company s common stock were granted to certain members of our management and to members of our Board of Directors with an exercise price equal to the fair market value as of the date of the grant. The options granted to management vest ratably over four years and have a contractual term of ten years. The options granted to the members of our Board of Directors vest ratably over three years and also have a contractual term of ten years.

As of March 31, 2012, 616,775 of the options granted in September 2010 were outstanding, of which 163,100 were exercisable. The exercise price of these options is $13.17, with an aggregate intrinsic value of $0.8. As of March 31, 2012, these options had approximately $2.2 of total unrecognized compensation expense remaining to be amortized over a weighted average period of approximately 2.1 years, with a weighted average remaining contractual life of approximately 8.3 years.

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January 2012 Grants

On January 1, 2012, pursuant to the 2010 Plan, 373,000 options to acquire the Company s common stock were granted to certain members of our management and to members of our Board of Directors with an exercise price equal to the fair market value as of the date of the grant. The options granted to management have an estimated fair value of $6.05 per option, vest ratably over four years from the date of grant and have a contractual term of ten years. The options granted to the members of our Board of Directors have an estimated fair value of $5.50 per option, vest ratably over two years from the date of grant and also have a contractual term of ten years.

The fair value of the January 1, 2012 option awards was estimated on the date of grant using a Black-Scholes option valuation model using the following valuation assumptions:

Expected dividend yield	0%
Expected stock price volatility	64.2%
Risk free interest rate	0.89%
Expected life (in years) management options	5.0
Expected life (in years) Board of Director options	4.0
Exercise price	$ 11.25

As of March 31, 2012, the options granted in January 2012 had approximately $2.0 of total unrecognized compensation expense remaining to be amortized over a weighted average period of approximately 3.5 years, with a weighted average remaining contractual life of approximately 9.8 years.

Restricted Stock

September 2010 Grants

On September 13, 2010, pursuant to the 2010 Plan, 130,100 shares of restricted stock were granted to certain members of our management and to members of our Board of Directors. The awards granted to management vest ratably over four years, while the awards granted to the members of our Board of Directors vest ratably over three years. The fair value of the restricted stock granted was $13.17 per share, determined based on the fair value of the Company s common stock on the grant date. As of March 31, 2012, approximately $0.9 of total unrecognized compensation expense was expected to be recognized over a weighted average period of approximately 2.1 years.

January 2012 Grants

On January 1, 2012, pursuant to the 2010 Plan, 82,100 shares of restricted stock were granted to certain members of our management and to members of our Board of Directors. The awards granted to management vest ratably over four years from the date of grant, while the awards granted to the members of our Board of Directors vest ratably over two years from the date of grant. The fair value of the restricted stock granted was $11.25 per share, determined based on the fair value of the Company s common stock on the grant date. As of March 31, 2012, approximately $0.9 of total unrecognized compensation expense was expected to be recognized over a weighted average period of approximately 3.4 years.

11. Income Taxes

The provision for income taxes is determined by applying an estimated annual effective income tax rate to income before income taxes, adjusted for any items discrete to the quarter. The annual effective rate is based on the most recent annual forecast of pretax income, permanent book differences and tax credits. The Company s overall effective tax rate for the three months ended March 31, 2012 and 2011, is 32.9% and 40.3%, respectively. The decrease in the tax rate in 2012 is primarily due to the impact of state taxes and permanent items on the respective levels of pre-tax book income.

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As of March 31, 2012, our unrecognized tax benefits totaled $7.2. We believe it is reasonably possible that a decrease of up to $1.1 in the consolidated liability for unrecognized tax benefits related to settlements of federal and state tax uncertainties may occur within the next twelve months. In addition, we believe it is reasonably possible that approximately $1.5 of other remaining unrecognized tax benefits, each of which is individually insignificant, may be recognized within the next twelve months as a result of a lapse of the statute of limitations. The total amount of unrecognized tax benefits that, if recognized, would impact the Company s effective tax rate is $4.9 for the three months ended March 31, 2012.

We file numerous consolidated and separate income tax returns in the United States and Canada. We are no longer subject to U.S. Federal income tax examinations for years before 2002 and are no longer subject to state and local, or foreign income tax examinations for years before 2000.

We account for any applicable interest and penalties on uncertain tax positions as a component of income tax expense. As of March 31, 2012, the liability for uncertain tax positions includes interest and penalties of $2.7 of which $0.2 is included in our statement of operations and comprehensive income and impacted the Company s overall effective income tax rate for the three months ended March 31, 2012.

12. Segment Information

The following tables show summarized financial information for our reportable segments. The amounts shown as an operating loss under the column heading Corporate and Other consist primarily of general and administrative costs that are not allocated to the segments. The reconciliation of operating income to income before income taxes is shown within the condensed consolidated statements of operations and comprehensive income and therefore is not separately presented.

	Three Months Ended March 31,				
	Plates and Shapes	Flat Rolled and Non-Ferrous	Building Products	Corporate and Other	Total
2012:					
Net sales	$ 210.3	$ 302.1	$ 16.1	$ (3.2)	$ 525.3
Operating income (loss)	23.3	18.3	(1.8)	(5.5)	34.3
Capital expenditures	1.4	2.6	0.1	0.4	4.5
Depreciation and amortization(1)	2.3	2.9	0.5	0.1	5.8
2011:					
Net sales	$ 190.2	$ 228.5	$ 16.2	$ (2.6)	$ 432.3
Operating income (loss)	22.0	17.1	(1.8)	(7.5)	29.8
Capital expenditures	1.6	0.2		0.2	2.0
Depreciation and amortization(1)	2.3	2.2	0.6	0.2	5.3

(1) Includes depreciation expense reflected in cost of goods sold for the Building Products Group.

	March 31, 2012	December 31, 2011
Total Assets:		
Plates and Shapes	$ 370.0	$ 357.1
Flat Rolled and Non-Ferrous	598.0	550.5
Building Products	39.5	39.5
Corporate and Other	29.0	31.5
Consolidated	$ 1,036.5	$ 978.6

Results for the three months ended March 31, 2012 include operating results from the Gregor acquisition from the date of the acquisition closing. Gregor contributed $0.6 of incremental sales and $0.1 of incremental

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operating income for the three months ended March 31, 2012. Acquisition-related costs for the three months ended March 31, 2012 amounted to approximately $0.4 and are included in selling, general and administrative expenses in the Company s condensed consolidated statement of operations and comprehensive income.

13. Commitments and Contingencies

Letters of Credit

Letters of credit outstanding at March 31, 2012 consist of letters of credit in the amount of $12.8 in conjunction with the IRBs (see Note 8) and other letters of credit aggregating $11.4 (total letters of credit of $24.2 at March 31, 2012). Other letters of credit consist primarily of collateral support for our property and casualty insurance program. All letters of credit reduce the amount available to borrow under the ABL facility.

Pension Fund Withdrawal Obligation

During 2007, we discontinued our participation in a multiemployer pension fund. In connection with our cessation of contributions to the plan, we were assessed a withdrawal liability of approximately $5.6, which we are paying in monthly installments through 2021. Our total withdrawal liability, including interest and amortization charges, amounted to approximately $5.9 and $6.0 as of March 31, 2012 and December 31, 2011, respectively.

Contingencies

From time to time, we are involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. We believe the resolution of these matters and the incurrence of their related costs and expenses should not have a material effect on our consolidated financial position, results of operations, cash flows or liquidity.

14. Related Party Transactions

Intercompany Loan Agreement

Metals USA Holdings has made advances to Metals USA through an intercompany loan agreement. See Note 8.

Payable to Parent

In addition, Metals USA has recorded a payable to Metals USA Holdings in the amount of $6.1 as of March 31, 2012 and December 31, 2011, for the receipt of a Federal income tax refund during the year ended December 31, 2010.

Other amounts payable to Metals USA Holdings as of March 31, 2012 and December 31, 2011 are the result of routine intercompany transactions.

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15. Guarantor/Non-Guarantor Subsidiary Financial Information

In November 2005, the Company issued the Metals USA Notes which are guaranteed by its domestic operating subsidiaries (see Note 8). The following presents condensed consolidating financial information for the parent company, Flag Intermediate, a holding company with no operations other than through its subsidiaries, and Metals USA, a management holding company which wholly owns the guarantor and non-guarantor subsidiaries, as of March 31, 2012 and December 31, 2011 and for the three months ended March 31, 2012 and 2011.

As of March 31, 2012	Flag Intermediate Holdings Corporation	Metals USA, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Adjustments & Eliminations	Consolidated
Assets						
Current assets:						
Cash	$	$ 2.2	$ 5.2	$ 0.4	$	$ 7.8
Accounts receivable, net		0.6	244.0	1.1	(0.8)	244.9
Inventories			419.5	0.9		420.4
Deferred income tax asset		2.8	1.2			4.0
Prepayments and other		0.2	6.0			6.2
Total current assets		5.8	675.9	2.4	(0.8)	683.3
Property and equipment, net			248.1	2.2		250.3
Intangible assets, net			34.2			34.2
Goodwill		3.0	50.7	2.2		55.9
Investment in subsidiaries	237.5	963.9			(1,201.4)	
Other assets		11.7	1.1			12.8
Total assets	$ 237.5	$ 984.4	$ 1,010.0	$ 6.8	$ (1,202.2)	$ 1,036.5
Liabilities and Stockholder s Equity						
Current liabilities:						
Accounts payable	$	$	$ 117.4	$ 0.2	$ (0.8)	$ 116.8
Accrued liabilities		9.5	28.2	0.5		38.2
Payable to parent		10.1				10.1
Current portion of long-term debt		0.4	0.6			1.0
Total current liabilities		20.0	146.2	0.7	(0.8)	166.1
Long-term debt, less current portion		484.7	12.5			497.2
Deferred income tax liability		25.3	45.1			70.4
Due to parent		47.0				47.0
Intercompany payable (receivable)		155.1	(199.1)	44.0		