SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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OLYMPIC STEEL INC

CIK:**917470**| IRS No.: **341245650** | State of Incorp.:**OH** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-23320** | Film No.: **111184722**
SIC: **5051** Metals service centers & offices

Mailing Address
5096 RICHMOND RD
BEDFORD HEIGHTS OH
44146

Business Address
5080 RICHMOND RD
BEDFORD HEIGHTS OH
44146
2162923800

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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 September 30, 2011

☐ **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 0-23320

OLYMPIC STEEL, INC.
(Exact name of registrant as specified in its charter)

Ohio	**34-1245650**
(State or other jurisdiction of incorporation or organization)	**(I.R.S.Employer Identification Number)**
5096 Richmond Road, Bedford Heights, Ohio	**44146**
(Address of principal executive offices)	**(Zip Code)**

Registrant' s telephone number, including area code (216) 292-3800

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

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

Class	**Outstanding as of November 4, 2011**
Common stock, without par value	10,905,115

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Olympic Steel, Inc.
Index to Form 10-Q

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Table of Contents

Part I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

Olympic Steel, Inc.
Consolidated Balance Sheets
(in thousands)

	September 30, 2011 (unaudited)	December 31, 2010 (audited)
Assets		
Cash and cash equivalents	$1,211	$1,492
Accounts receivable, net	154,588	82,859
Inventories, net	293,585	200,606
Prepaid expenses and other	12,526	13,852
Assets held for sale	1,268	–
Total current assets	463,178	298,809
Property and equipment, at cost	314,288	239,500
Accumulated depreciation	(131,520)	(121,266)
Net property and equipment	182,768	118,234
Goodwill	46,056	7,083
Intangible assets, net	36,535	–
Other long-term assets	10,474	5,312
Total assets	$739,011	$429,438
Liabilities		
Current portion of long-term debt	$9,661	$–
Accounts payable	135,578	81,645
Accrued payroll	10,915	11,214
Other accrued liabilities	15,982	9,766
Total current liabilities	172,136	102,625
Credit facility revolver	174,460	55,235
Long-term debt	65,634	–
Other long-term liabilities	10,053	4,807
Deferred income taxes	30,654	5,133
Total liabilities	452,937	167,800
Stockholders' Equity		
Preferred stock	–	–
Common stock	119,657	118,976
Accumulated other comprehensive income	4	–
Retained earnings	166,413	142,662
Total shareholders' equity	286,074	261,638
Total liabilities and shareholders' equity	$739,011	$429,438

The accompanying notes are an integral part of these statements.

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Table of Contents

Olympic Steel, Inc.
Consolidated Statement of Operations
(in thousands, except per share data)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(unaudited)		(unaudited)	
Net sales	$348,547	$209,185	$941,928	$589,842
Costs and expenses				
Cost of materials sold (excludes items shown seperately below)	281,058	171,730	750,638	473,676
Warehouse and processing	19,471	13,436	51,432	37,057
Administrative and general	16,461	9,388	43,339	28,600
Distribution	8,080	5,176	20,427	14,312
Selling	7,209	6,164	18,140	14,845
Occupancy	2,297	1,297	5,790	3,940
Depreciation	4,434	3,270	11,413	9,775
Amortization	222	–	222	–
Total costs and expenses	339,232	210,461	901,401	582,205
Operating income (loss)	9,315	(1,276)	40,527	7,637
Other (income) and expense, net	91	–	91	–
Income (loss) before interest and income taxes	9,224	(1,276)	40,436	7,637
Interest and other expense on debt	2,237	602	3,868	1,629
Income (loss) before income taxes	6,987	(1,878)	36,568	6,008
Income tax provision (benefit)	851	(641)	12,163	2,280
Net income (loss)	$6,136	$(1,237)	$24,405	$3,728
Earnings per share:				
Net income (loss) per share - basic	$0.56	$(0.11)	$2.23	$0.34
Weighted average shares outstanding - basic	10,937	10,909	10,936	10,903
Net income (loss) per share - diluted	$0.56	$(0.11)	$2.23	$0.34
Weighted average shares outstanding - diluted	10,951	10,909	10,949	10,916

The accompanying notes are an integral part of these statements.

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Table of Contents

Olympic Steel, Inc.

Consolidated Statement of Cash Flows

(in thousands)

	Nine Months Ended September 30,	
	2011	**2010**
	(unaudited)	
Cash flows from (used for) operating activities:		
Net income	$24,405	$3,728
Adjustments to reconcile net income to net cash from operating activities -		
Depreciation and amortization	12,050	10,264
Assets held for sale	(4)	–
Loss on disposition of property and equipment	69	25
Stock-based compensation	647	485
Other long-term assets	1,220	(935)
Other long-term liabilities	3,487	(4,774)
Long-term deferred income taxes	1,912	527
	43,786	9,320
Changes in working capital:		
Accounts receivable	(49,350)	(44,944)
Inventories	(40,731)	(69,685)
Income taxes receivable and deferred	8,750	38,178
Prepaid expenses and other	(5,861)	(527)
Accounts payable	34,379	23,440
Change in outstanding checks	9,479	647
Accrued payroll and other accrued liabilities	(10,240)	3,263
	(53,574)	(49,628)
Net cash used for operating activities	(9,788)	(40,308)
Cash flows from (used for) investing activities:		
Acquisition of Chicago Tube and Iron, net of cash acquired	(148,759)	–
Capital expenditures	(24,618)	(10,733)
Proceeds from disposition of property and equipment	24	19
Proceeds from assets held for sale	675	–
Net cash used for investing activities	(172,678)	(10,714)
Cash flows from (used for) financing activities:		
Credit facility revolver borrowings, net	119,225	50,050
Principal payments under capital lease obligations	(39)	–
Term loan borrowings	70,000	–
Term loan repayments	(2,188)	–
Credit facility fees and expenses	(4,193)	(1,618)
Proceeds from exercise of stock options (including tax benefits) and employee stock purchases	34	68
Dividends paid	(654)	(653)
Net cash from financing activities	182,185	47,847
Cash and cash equivalents:		
Net change	(281)	(3,175)
Beginning balance	1,492	5,190

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Ending balance	$1,211	$2,015

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Olympic Steel, Inc.
Supplemental Disclosures of Cash Flow Information
(in thousands)

	Nine Months Ended September 30,	
	2011	2010
	(unaudited)	
Cash paid during the period		
Interest paid	$3,089	$1,095
Income taxes paid (refunded)	$8,852	$(36,400)
Details of acquisition		
Fair value of CTI assets acquired	$215,817	$–
Fair value of CTI liabilities acquired	55,961	–
Cash paid	159,856	–
Less: Cash acquired	11,097	–
Net cash paid for CTI acquisition	$148,759	$–

The Company incurred a capital lease obligation of $1.6 million when it entered into a lease for its warehouse in Streetsboro, Ohio during the third quarter of 2011. This non-cash transaction has been excluded from the Consolidated Statement of Cash Flow for the nine months ended September 30, 2011.

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Olympic Steel, Inc.
Notes to Consolidated Financial Statements
(unaudited)

September 30, 2011

(1) Basis of Presentation:

The accompanying consolidated financial statements have been prepared from the financial records of Olympic Steel, Inc. and its wholly-owned subsidiaries (collectively, Olympic or the Company), without audit and reflect all normal and recurring adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods covered by this report. Year-to-date results are not necessarily indicative of 2011 annual results and these financial statements should be read in conjunction with the Company' s Annual Report on Form 10-K for the year ended December 31, 2010. All significant intercompany transactions and balances have been eliminated in consolidation.

Commencing with the July 1, 2011 acquisition of Chicago Tube and Iron Company (CTI), the Company operates in two reportable segments; flat products and tubular and pipe products. Through its flat products segment, the Company sells and distributes large volumes of processed carbon, coated, aluminum and stainless flat-rolled sheet, coil and plate products. Through its tubular and pipe products segment, the Company distributes metal tubing, pipe, bar, valve and fittings and the fabrication of pressure parts supplied to various industrial markets.

(2) Acquisition of Chicago Tube and Iron Company:

On July 1, 2011, the Company acquired all of the outstanding common shares of CTI pursuant to the terms of an Agreement and Plan of Merger dated May 18, 2011. CTI stocks, processes and fabricates metal tubing, pipe, bar, valves and fittings and pressure parts at nine operating facilities located primarily throughout the Midwestern United States. The acquisition of CTI enhances the Company' s commercial opportunities by adding new product offerings to an expanded customer base and by increasing its distribution footprint.

The Company paid total cash consideration of $159.9 million, consisting of a base purchase price of $150.0 million, plus the closing cash, working capital and McNeeley purchase agreement payments (as disclosed in the Current Report on Form 8-K filed on May 18, 2011) totaling approximately $9.9 million. In addition, the Company assumed approximately $5.9 million of indebtedness and acquired $11.1 million of cash from CTI. Olympic funded its acquisition of CTI primarily with borrowings under its amended asset-based lending facility. During 2011, the Company incurred $919 thousand of direct acquisition-related costs, which are included in "Administrative and general" in the Consolidated Statement of Operations for the nine months ended September 30, 2011.

Purchase Price Allocation

The acquisition of CTI was accounted for under the acquisition method of accounting and, accordingly, the purchase price of $159.9 million has been allocated to the assets acquired and liabilities assumed based on estimated fair values at July 1, 2011, the date of acquisition.

The preliminary allocation of the total purchase price of CTI to the fair values of the assets acquired and liabilities assumed is as follows:

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(in thousands)	Total
Cash	$11,097
Accounts receivable, net	22,378
Inventories	52,248
Assets held for sale	1,939
Property and equipment	49,920
Goodwill	38,973
Intangible assets subject to amortization	13,332
Intangible assets not subject to amortization	23,425
Other current and long-term assets	2,505
Total assets acquired	215,817
Accounts payable	(10,075)
Current and long-term debt	(5,880)
Deferred income taxes, net	(29,222)
Other current and long-term liabilities	(10,784)
Total liabilities assumed	(55,961)
Net assets acquired	$159,856

The accompanying Consolidated Statements of Operations include the revenues and expenses of CTI since the acquisition date. CTI' s net sales during the period July 1, 2011 through September 30, 2011 were $61.4 million. The Consolidated Balance Sheet as of September 30, 2011 reflects the preliminary allocation of CTI' s purchase price, and is subject to change after the completion of certain deferred tax adjustments and pre-acquisition tax returns.

In connection with the acquisition of CTI, the Company identified and valued certain intangible assets, including the CTI trade name and its existing customer relationships. The trade name was recorded at $23.4 million, and is not subject to amortization. The Company determined that the trade name acquired has an indefinite life since its economic life is expected to approximate the life of CTI. Additionally, the Company recorded $13.3 million related to customer relationships, determined to be amortizable over a fifteen year useful life. The goodwill of $39.0 million is not deductible for tax purposes.

Pro Forma Financial Information

The following unaudited pro forma summary of financial results presents the consolidated results of operations as if the acquisition had occurred at January 1, 2011 and 2010, respectively, after the effect of certain adjustments, including increased depreciation expense resulting from recording fixed assets at fair value, interest expense on the acquisition debt and amortization of customer relationships, with the related tax effects. The pro forma results have been presented for comparative purposes only and are not indicative of what would have occurred had the acquisition been made as of January 1, 2011 or 2010, or of any potential results that may occur in the future.

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Table of Contents

(in thousands, except per share amounts)	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Pro forma (unaudited):		
Net sales	$ 1,062,009	$ 752,409
Net income	$ 26.823	$ 5,286
Basic earnings per common share	$ 2.45	$ 0.48
Diluted earnings per common share	$ 2.45	$ 0.48

(3) Accounts Receivable:

The Company maintained allowances for doubtful accounts and unissued credits of $3.7 million and $2.9 million at September 30, 2011 and December 31, 2010, respectively. The allowance for doubtful accounts is maintained at a level considered appropriate based on historical experience and specific customer collection issues that have been identified. Estimations are based upon a calculated percentage of accounts receivable, which remains fairly level from year to year, and judgments about the probable effects of economic conditions on certain customers, which can fluctuate significantly from year to year. The Company cannot guarantee that the rate of future credit losses will be similar to past experience. The Company considers all available information when assessing the adequacy of its allowance for doubtful accounts each quarter.

(4) Inventories:

Inventories are stated at the lower of cost or market and include the costs of purchased metal, inbound freight, external processing and applicable labor and overhead costs. Cost for the Company' s flat products segment (metal flat-rolled sheet, coil and plate products) is determined using the specific identification method.

As a result of the acquisition of CTI, certain of the Company' s tubular and pipe products inventory is stated under the last-in, first-out (LIFO) method, which is not in excess of market. At September 30, 2011, approximately $38.6 million, or 13.1% of consolidated inventory, was reported under the LIFO method of accounting. The cost of the remainder of CTI' s inventory is determined using a weighted average rolling first-in, first-out (FIFO) method.

An actual valuation of the inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management' s estimates of expected year-end inventory levels and costs. Because estimates are subject to many factors beyond management' s control, annual results may differ from interim results. Interim LIFO estimates are subject to a final year-end LIFO inventory valuation. The Company did not record a LIFO adjustment in its third quarter of 2011 because its full-year LIFO estimate anticipates prices and quantities to be below July 1, 2011 levels. As a result, there was no LIFO reserve at September 30, 2011.

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Table of Contents

Metal inventories consist of the following:

(in thousands)	September 30, 2011	December 31, 2010
Unprocessed	$ 225,993	$ 143,410
Processed and finished	67,592	57,196
Totals	$ 293,585	$ 200,606

(5) Assets Held for Sale:

The Company acquired certain assets as part of its acquisition of CTI that have been classified as “Assets held for sale” on the Consolidated Balance Sheet as of September 30, 2011. The assets held for sale are comprised of certain land and a building that were used in CTI’ s Milwaukee, Wisconsin operation. The assets held for sale are reported at their fair market value less costs to sell, and depreciation has ceased. Subsequent to the quarter ended September 30, 2011, the Milwaukee, Wisconsin property was sold for $1.3 million.

In July 2011, the Company sold its Oakboro, North Carolina held for sale operation for a net purchase price of $675 thousand, and no gain or loss was recorded in connection with this transaction.

(6) Property and Equipment:

Property and equipment consists of the following:

(in thousands)	Depreciable Lives	September 30, 2011	December 31, 2010
Land	–	$ 16,193	$ 11,937
Land improvements	10	1,573	1,453
Buildings and improvements	7-30	108,669	76,058
Machinery and equipment	5-15	134,741	111,339
Furniture and fixtures	7	6,066	6,142
Computer software and equipment	5	21,189	21,005
Vehicles	5	1,201	34
Construction in progress	–	24,656	11,532
		314,288	239,500
Less accumulated depreciation		(131,520)	(121,266)
Net property and equipment		$ 182,768	$ 118,234

Leasehold improvements are included with buildings and improvements and are depreciated over the life of the lease or seven years, whichever is less.

Construction in progress, as of September 30, 2011, primarily consisted of payments for a new temper mill facility and equipment in Gary, Indiana, additional processing equipment at our existing facilities, costs related to the implementation of our new computer systems, and construction costs related to the suspended project in Sumter, South Carolina.

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(7) Goodwill and Intangible Assets:

The changes in the carrying amount of goodwill, by reportable segment, are as follows:

(in thousands)	Flat products	Tubular and pipe products	Total
Balance as of December 31, 2010	$ 7,083	$ –	$7,083
CTI acquisition	–	38,973	38,973
Balance as of September 30, 2011	$ 7,083	$ 38,973	$46,056

Intangible Assets, net

Intangible assets, net, consisted of the following as of September 30, 2011:

(in thousands)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Customer relationships - subject to amortization	$ 13,332	$ (222)	$ 13,110
Trade name - not subject to amortization	23,425	–	23,425
	$ 36,757	$ (222)	$ 36,535

The Company had no intangible assets during the year ended December 31, 2010. All of the Company' s intangible assets were recorded in connection with its July 1, 2011 acquisition of CTI (See Note 2). The intangible assets noted above were evaluated on the premise of highest and best use to a market participant, primarily utilizing the income approach valuation methodology. The useful life of the CTI trade name was determined to be indefinite primarily due to its history and reputation in the marketplace, the Company' s expectation that the CTI trade name will continue to be used throughout the life of CTI, and the conclusion that there are currently no other factors identified that would limit its useful life. The useful life of the CTI customer relationships was determined to be fifteen years, based primarily on the consistent and predictable revenue source associated with existing CTI customer base, the net positive present value of which extends through the fifteen year amortization period. The Company will continue to evaluate the useful life assigned to our amortizable customer relationships in future periods.

The Company estimates that amortization expense for its intangible assets subject to amortization will be $444 thousand for the year ended December 31, 2011 and $889 thousand per year in each of the next five years.

(8) Investments in Joint Ventures:

The Company and the United States Steel Corporation each own 50% of Olympic Laser Processing (OLP), a company that produced laser welded sheet steel blanks for the automotive industry. OLP ceased operations in 2006. In December 2006, the Company advanced $3.2 million to OLP to cover a loan guarantee. As of September 30, 2011, the investment in and advance to OLP was valued at $2.5 million on the Company' s Consolidated Balance Sheet.

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Table of Contents

(9) Debt:

The Company' s debt is comprised of the following components:

(in thousands)	Total
Asset-based revolving credit facility due June 30, 2016	$174,460
Term loan due June 30, 2016	67,812
Industrial revenue bond due April 1, 2018	5,880
Capital lease	1,603
Total debt	249,755
Less current amount	(9,661)
Total long-term debt	$240,094

The Company' s principal payments over the next 5 years and thereafter are detailed in the table below:

(in thousands)	2011	2012	2013	2014	2015	2016	Thereafter
Revolver	$–	$–	$–	$–	$–	$174,460	$ –
Term loan	2,188	8,750	8,750	8,750	8,750	30,624	–
Industrial revenue bond	–	755	785	810	840	865	1,825
Other	38	158	1,407	–	–	–	–
Total principal payments	$2,226	$9,663	$10,942	$9,560	$9,590	$205,949	$ 1,825

On July 1, 2011 the Company amended its existing asset-based revolving credit facility. The new asset-based credit facility (the ABL Credit Facility) provides for borrowings up to $335 million consisting of a revolving credit line of $265 million and a $70 million term-loan. Revolver borrowings are limited to the lesser of a borrowing base, comprised of eligible receivables and inventories, or $265 million in the aggregate. The ABL Credit Facility matures on July 1, 2016.

The ABL Credit Facility requires the Company to comply with various covenants, the most significant of which include: (i) until maturity of the ABL Credit Facility, if any commitments or obligations are outstanding and the Company' s availability is less than the greater of $20 million, 12.5% of the aggregate amount of revolver commitments, or 60% of the principal balance of the term loan then outstanding, then the Company must maintain a ratio of EBITDA minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.10 to 1.00 for the most recent twelve fiscal month period; (ii) limitations on dividend payments; (iii) restrictions on additional indebtedness; and (iv) limitations on investments and joint ventures. The Company has the option to borrow under its revolver based on the agent' s base rate plus a premium ranging from 0.50% to 1.00% or the London Interbank Offered Rate (LIBOR) plus a premium ranging from 2.00% to 2.50%. The interest rate under the term loan is based on the agent' s base rate plus a premium ranging from 1.00% to 1.50% or LIBOR plus a premium ranging from 2.50% to 3.00%.

As of September 30, 2011, $5.1 million of bank financing fees were included in "Prepaid expenses and other" and "Other long-term assets" on the accompanying Consolidated Balance Sheet. The financing fees are being amortized over the five-year term of the credit facility.

As of September 30, 2011, the Company was in compliance with its covenants and had approximately $83 million of availability under the ABL Credit Facility.

As part of the CTI acquisition, the Company assumed approximately $5.9 million of Industrial Revenue Bond indebtedness issued through the Stanly County, North Carolina Industrial Revenue and

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Pollution Control Authority (IRB). The bond matures in April 2018, with the option to provide principal payments annually, April 1st. Interest is payable monthly, with a variable rate that resets weekly. As a security for payment of the bonds, the Company obtained a direct pay letter of credit issued by JPMorgan Chase Bank, N.A. The letter of credit reduces annually by the principal reduction amount. The interest rate at September 30, 2011 was 0.2% for the IRB debt.

The Company entered into an interest rate swap agreement to reduce the impact of changes in interest rates on the above IRB. At September 30, 2011, the effect of the swap agreement on the bond was to fix the rate at 3.46 percent. The swap agreement matures April 2018, but is reduced annually by the amount of the optional principal payments on the bond. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparties.

(10) Fair Value of Financial Instruments:

The Company' s financial instruments include cash and cash equivalents, short-term trade receivables, derivative instruments, accounts payable and debt instruments. For short-term instruments, other than those required to be reported at fair value on a recurring basis and for which additional disclosures are included below, management concluded the historical carrying value is a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price concept that assumes an orderly transaction between willing market participants. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs. To measure fair value, the Company applies a fair value hierarchy that is based on three levels of input, of which the first two are considered observable and the last unobservable, as follows:

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

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices that are not active; or other inputs that are observable or can be corroborated by observable market date for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

During the three and nine months ended September 30, 2011, there were no transfers of financial assets between Levels 1, 2 or 3 fair value measurements. There have been no changes in the methodologies used at September 30, 2011 and December 31, 2010. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value as of September 30, 2011 and December 31, 2010:

Nickel swaps and embedded customer derivatives - Determined by using inputs that include the price of nickel indexed to the London Metal Exchange (LME). The fair value is determined based on quoted market prices and reflects the estimated amounts the Company would pay or receive to terminate the nickel swaps.

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Interest rate swap - Based on the present value of the expected future cash flows, considering the risks involved, and using discount rates appropriate for the maturity date. Market observable Level 2 inputs are used to determine the present value of future cash flows.

The following table presents information about the Company's assets and liabilities that were measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Company:

(in thousands)

September 30, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Embedded customer derivatives	$ –	$988	$ –	$988
Liabilities:				
Nickel swaps	–	925	–	925
Interest rate swap	–	504	–	504
Total liabilities at fair value	$ –	$1,429	$ –	$1,429
December 31, 2010				
Assets:				
Embedded customer derivatives	$ –	$123	$ –	$123
Liabilities:				
Nickel swaps	$ –	$127	$ –	$127

Long-Term Financial Instruments

The carrying value and the fair value of the IRB that qualify as financial instruments are both $5.1 million at September 30, 2011. As the revolver and long-term debt were recently refinanced, management continues to believe that the amounts are carried at fair value.

The Company did not have any non-current financial liabilities at December 31, 2010.

(11) Derivative Instruments:

During 2011, the Company entered into nickel swaps indexed to the LME price of nickel with a third-party broker. The nickel swaps are treated as derivatives for accounting purposes. The Company entered into them to mitigate the risk of volatility in the price of nickel. The nickel swaps vary in length from one to fifteen months and are settled with the broker at maturity. The economic benefit or loss arising from the changes in fair value of the swaps is contractually passed through to the customer. The primary risk associated with the nickel swaps is the ability of our customer to honor its agreement with the Company related to derivative instruments. If the customer is unable to honor its agreement, the Company's risk of loss is the fair value of the nickel swap.

CTI entered into an interest rate swap to reduce the impact of changes in interest rates on its IRB. The swap agreement matures April 2018, the same time as the IRB, but is reduced annually by the amount of the principal payments on the IRB. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparties. The interest rate swap is not treated as a hedge for accounting purposes.

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While these derivatives are intended to help the Company manage risk, they have not been designated as hedging instruments. The periodic changes in fair value of the nickel and embedded customer derivative instruments are included in "Cost of materials sold" in the Consolidated Statement of Operations. We recognize derivative positions with both the customer and the third party for the derivatives and we classify cash settlement amounts associated with them as part of "Cost of materials sold" in the Consolidated Statements of Operations. The periodic changes in fair value of the interest rate swap are included in "Other income and expense, net" in the Consolidated Statement of Operations. Cash settlement amounts associated with the interest rate swap are included in "Interest and other expense on debt" in the Consolidated Statements of Operations.

The embedded customer derivatives are included in "Accounts receivable, net", and the nickel and interest rate swaps are included in "Other accrued liabilities" and "Other long-term liabilities" on the Consolidated Balance Sheet at September 30, 2011.

As of September 30, 2011, we had paid $63 thousand of net derivative losses that we had not yet settled under the embedded customer derivative agreement. Settlement of these assets is expected to occur during the fourth quarter of 2011. There was no net impact from the nickel swaps or embedded customer derivative agreements to the Company' s Consolidated Statement of Operations for the three or nine months ended September 30, 2011. The table below shows the total impact to the Company' s Consolidated Statement of Operations of the derivatives for the three and nine months ended September 30, 2011.

	Net Gain (Loss) Recognized	
	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
(in thousands)		
Interest rate swap	$ (80)	$ (80)
Nickel swaps	(973)	901
Embedded customer derivatives	973	(901)
Total	$ (80)	$ (80)

(12) Stock Options:

In January 1994, the Olympic Steel, Inc. Stock Option Plan (Option Plan) was adopted by the Board of Directors and approved by the shareholders of the Company. The Option Plan terminated on January 5, 2009. Termination of the Option Plan did not affect outstanding options.

A total of 1,300,000 shares of common stock were originally reserved for issuance under the Option Plan. To the extent possible, shares of treasury stock were used to satisfy shares resulting from the exercise of stock options. Options vested over periods ranging from six months to five years and all expire ten years after the grant date.

The following table summarizes the effect of the impact of stock options on the results of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
(in thousands, except per share data)				
Stock option expense before taxes	$ –	$ –	$ –	$ 60
Stock option expense after taxes	$ –	$ –	$ –	$ 38
Impact per basic share	$ –	$ –	$ –	$ –
Impace per diluted share	$ –	$ –	$ –	$ –

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All pre-tax charges related to stock options were included in the caption "Administrative and general" on the accompanying Consolidated Statement of Operations.

The following table summarizes stock option activity during the nine months ended September 30, 2011:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2010	46,007	$ 20.90		
Granted	–	–		
Exercised	–	–		
Canceled	–	–		
Outstanding at September 30, 2011	46,007	$ 20.90	3.9 years	$ 181
Exercisable at September 30, 2011	46,007	$ 20.90	3.9 years	$ 181

There were no stock options exercised during nine months ended September 30, 2011 and 2010. All options vested by June 30, 2010. The fair value of options vested during the nine months ended September 30, 2010 totaled $60 thousand.

By December 31, 2010, all expense with respect to stock option awards had been recognized and amortized into expense.

(13) Restricted Stock Units and Performance Share Units:

The Olympic Steel 2007 Omnibus Incentive Plan (the Plan) was approved by the Company' s shareholders in 2007. The Plan authorizes the Company to grant stock options, stock appreciation rights, restricted shares, restricted share units, performance shares, and other stock- and cash-based awards to employees and Directors of, and consultants to, the Company and its affiliates. Under the Plan, 500,000 shares of common stock are available for equity grants.

On each of January 2, 2008, January 2, 2009, January 4, 2010 and March 1, 2011, the Compensation Committee of the Company' s Board of Directors approved the grant of 1,800 restricted stock units (RSUs) to each non-employee Director. Subject to the terms of the Plan and the RSU agreement, the RSUs vest after one year of service (from the date of grant). The RSUs are not converted into shares of common stock until the director either resigns or is terminated from the Board of Directors.

On January 4, 2010, the Compensation Committee of the Company' s Board of Directors approved the grant of 23,202 RSUs in the aggregate to the members of senior management of the Company. Subject to the terms of the Plan and the RSU agreement, the RSUs vest at the end of three years from the date of grant.

The Compensation Committee of the Company' s Board of Directors also granted 34,379 and 54,024 performance-earned restricted stock units (PERSUs) in the aggregate to the members of senior management of the Company on January 2, 2008 and January 2, 2009, respectively. The PERSUs may be earned based on the Company' s performance for a period of 36 months from the date of grant, and would be converted to shares of common stock based on the achievement of two separate financial measures: (1) the Company' s EBITDA (50% weighted) and (2) return on invested capital (50% weighted). No shares will be earned unless the threshold amounts for the performance measures are met. Up to 150% of the targeted amount of PERSUs may be earned. On December 31, 2010, the

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Table of Contents

33,681 PERSU' s outstanding granted on January 2, 2008 lapsed based on failure to meet the minimum performance requirements.

The fair value of each RSU and PERSU was estimated to be the closing price of the Company' s common stock on the date of the grant, which was $26.91, $33.85, $21.68 and $32.20 for the grants on March 1, 2011, January 4, 2010, January 2, 2009 and January 2, 2008, respectively.

Stock-based compensation expense recognized on RSUs and PERSUs for the three and nine months ended September 30, 2011 and 2010, respectively, is summarized in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
(in thousands, except per share data)				
RSU expense before taxes	$ 135	$ 142	$ 351	$ 425
RSU expense after taxes	$ 118	$ 86	$ 234	$ 264
Impact per basic share	$ 0.01	$ 0.01	$ 0.02	$ 0.02
Impact per diluted share	$ 0.01	$ 0.01	$ 0.02	$ 0.02

All pre-tax charges related to RSUs and PERSUs were included in the caption "Administrative and general" on the accompanying Consolidated Statement of Operations.

The following table summarizes the activity related to RSUs for the nine months ended September 30, 2011:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2010	46,602	$ 33.41	
Granted	18,825	26.91	
Converted into shares	–	–	
Forfeited	(1,235)	33.85	
Outstanding at September 30, 2011	64,192	$ 32.15	–
Vested at September 30, 2011	31,959	$ 31.08	–

No RSUs were converted into shares during the nine months ended September 30, 2011. 7,200 RSUs were converted into shares during the nine months ended September 30, 2010.

The following table summarizes the activity related to PERSUs for the nine months ended September 30, 2011:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2010	52,987	$ 21.68	
Granted	–	–	
Converted into shares	–	–	
Lapsed based on performance criteria	–	–	
Forfeited	(2,178)	21.68	
Outstanding at September 30, 2011	50,809	$ 21.68	–
Vested at September 30, 2011	–	$ –	–

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Since inception of the PERSU program, no PERSUs have been converted into shares. There was no expense included on the accompanying Consolidated Statement of Operations for the three or nine months ended September 30, 2011 or 2010 related to the PERSUs as the minimum performance requirements for the PERSUs are not expected to be met.

(14) Multiemployer Pension Plan:

The Company, through its CTI business, contributes to one multiemployer pension plan – the Plumbing and Heating Wholesalers Retirement Income Plan for the Benefit of the Shopmen's Division of Pipe Fitters' Association Local Union 597, EIN 36-6511016, Plan Number 001. Expense for this plan was approximately $26 thousand for the three months ended September 30, 2011.

(15) Leases:

Operating Leases

The Company leases certain warehouses, sales offices, machinery and equipment and vehicles under long-term operating lease agreements. The leases expire at various dates through 2018. In some cases the leases include options to extend. The future minimum lease payments as of September 30, 2011 are as follows:

(in thousands)	Total
2011	$1,295
2012	4,257
2013	3,079
2014	2,240
2015	1,720
Thereafter	3,332
Total	$15,923

Capital Leases

The Company leases a warehouse in Streetsboro, Ohio under a capital lease agreement. The Company has signed a purchase agreement to purchase the facility at the end of the lease for $1.3 million. The capital lease obligation is included in "Current portion of short-term debt" and "Long-term debt" on the accompanying Consolidated Balance Sheet.

The capital lease obligation as of September 30, 2011 is as follows:

(in thousands)	
Total capital lease obligation	$1,615
Less: interest	(12)
Capital lease obligation	1,603
Less: current	(156)
Long term capital lease	$1,447

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Table of Contents

(16) Comprehensive Income (Loss):

The Company' s Monterrey, Mexico facility commenced operations in the third quarter of 2011, and its foreign currency transactions impacted the Company' s comprehensive income (loss) in 2011 as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
(in thousands)				
Net income (loss)	$6,136	$(1,237)	$24,405	$3,728
Foreign currency translation loss	(11)	–	(11)	–
Comprehensive income (loss)	$6,125	$(1,237)	$24,394	$3,728

Foreign currency translation adjustments are not ordinarily adjusted for income taxes as they relate to indefinite investments in foreign subsidiaries.

(17) Income Taxes:

The Company' s effective tax rates for the nine months ended September 30, 2011 and 2010 were 33.3% and 37.9%, respectively. The Company' s effective tax rates for the three months ended September 30, 2011 and 2010 were 12.2% and 34.1%, respectively. The fluctuations in the Company' s effective tax rates are mainly because of changes in unrecognized tax benefits.

The total amount of unrecognized tax benefits as of September 30, 2011 was $83 thousand (including $8 thousand of accrued interest and penalties), the recognition of which would affect the annual effective tax rate. The change in the Company' s unrecognized tax benefits from the December 31, 2010 balance of $2.0 million is due primarily to a lapsing of the statute of limitations.

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(18) Shares Outstanding and Earnings Per Share:

Earnings per share have been calculated based on the weighted average number of shares outstanding as set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	2011	2010	2011	2010
Weighted average basic shares outstanding	10,937	10,909	10,936	10,903
Assumed exercise of stock options and issuance of stock awards	14	–	13	13
Weighted average diluted shares outstanding	10,951	10,909	10,949	10,916
Net income (loss)	$6,136	$(1,237)	$24,405	$3,728
Basic earnings (loss) per share	$0.56	$(0.11)	$2.23	$0.34
Diluted earnings (loss) per share	$0.56	$(0.11)	$2.23	$0.34
Anti-dilutive securities outstanding	118	140	118	138

(19) Segment Information:

The Company evaluated its reportable segments in connection with its recent acquisition of CTI, and followed the accounting guidance that requires the utilization of a “management approach” to define and report the financial results of operating segments. The management approach defines operating segments along the lines used by the Company’ s chief operating decision maker (CODM) to assess performance and make operating and resource allocation decisions. Our CODM evaluates performance and allocates resources based primarily on operating income (loss). Our operating segments are based primarily on internal management reporting.

The Company now operates in two reportable segments, flat products and tubular and pipe products. Through its flat products segment, the Company sells and distributes large volumes of processed carbon, coated, aluminum and stainless flat-rolled sheet, coil and plate products. Through its tubular and pipe products segment, the Company distributes metal tubing, pipe, bar, valve and fittings and fabricates pressure parts supplied to various industrial markets.

The following table summarizes financial information regarding segments:

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(in thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Net sales				
Flat products	$287,137	$209,185	$880,518	$589,842
Tubular and pipe products	61,410	–	61,410	–
Total net sales	$348,547	$209,185	$941,928	$589,842
Operating income				
Flat products	$5,762	$(1,276)	$36,974	$7,637
Tubular and pipe products	3,553	–	3,553	–
Total operating income	$9,315	$(1,276)	$40,527	$7,637
Depreciation and amortization				
Flat products	$3,281	$3,270	$10,260	$9,775
Tubular and pipe products	1,375	–	1,375	–
Total depreciation and amortization	$4,656	$3,270	$11,635	$9,775
Capital expenditures				
Flat products	$8,018	$4,432	$24,434	$10,733
Tubular and pipe products	184	–	184	–
Total capital expenditures	$8,202	$4,432	$24,618	$10,733

(in thousands)	September 30, 2011	December 31, 2010
Total assets		
Flat products	$ 528,033	$ 429,438
Tubular and pipe products	210,978	–
Total assets	$ 739,011	$ 429,438

(20) Recently Issued Accounting Updates:

There were no new significant accounting updates or guidance that became effective for the Company commencing with its third quarter of 2011. The following recently issued, but not yet effective, accounting standards are expected to have an impact on the Company' s financial statements:

In September 2011, an accounting update was issued that amends current guidance related to multiemployer pension plan disclosures by increasing the quantitative and qualitative disclosures an employer is required to provide about its participation in multiemployer pension plans. The new disclosure requirements are effective for public companies for fiscal years ending after December 15, 2011, with early adoption permitted and retrospective application to prior periods required. The Company intends to adopt these new disclosure requirements in its Form 10-K for the year ending December 31, 2011.

In September 2011, amended accounting guidance was issued intended to simplify how an entity tests for goodwill impairment. The amended guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The two-step quantitative impairment test is required if, based on its qualitative assessment, an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amended guidance is effective for interim and annual goodwill impairment tests

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performed for fiscal years beginning after December 15, 2011. The Company will consider the provision of this amended guidance in its fiscal 2011 goodwill impairment tests, and does not expect the adoption of this amended guidance to have a material impact on its financial position or results of operations.

In June 2011, new accounting guidance was issued regarding the presentation of comprehensive income in financial statements prepared in accordance with U.S. GAAP. This new guidance requires entities to present reclassification adjustments included in other comprehensive income on the face of the financial statements and allows entities to present total comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. It also eliminates the option for entities to present the components of other comprehensive income as part of the statement of equity. For public companies, this accounting guidance is effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2011, with early adoption permitted. Retrospective application to prior periods is required. The adoption of this new guidance, effective for us on January 1, 2012, is not expected to have a material impact on the Company' s financial position or results of operations.

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

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and accompanying notes contained herein and our consolidated financial statements, accompanying notes and Management' s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2010. The following Management' s Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2010. The following section is qualified in its entirety by the more detailed information, including our financial statements and the notes thereto, which appear elsewhere in this Quarterly Report on Form 10-Q.

Forward-Looking Information

This Quarterly Report on Form 10-Q and other documents we file with the SEC contain various forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, business, our beliefs and management' s assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, conferences, webcasts, phone calls and conference calls. Words such as "may," "will," "anticipate," "should," "intend," "expect," "believe," "estimate," "project," "plan," "potential," and "continue," as well as the negative of these terms or similar expressions, are intended to identify forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those implied by such statements including, but not limited to, those set forth in Item 1A (Risk Factors), as found in our Annual Report on Form 10-K for the year ended December 31, 2010. There have not been any material changes to the risk factors disclosed in our Annual Report on Form 10-K except for the following:

- the ability to successfully integrate CTI and to achieve the expected results of the acquisition;

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the ability to retain CTI' s management team and CTI' s relationships with customers and suppliers;

the ability to successfully place the new Gary, Indiana facility in operation during the expected timeframe and achieve expected results;

the success of our new facility startups in Gary, Indiana; Mount Sterling, Kentucky; Monterrey, Mexico; Roseville, Minnesota; Kansas City, Missouri; and Streetsboro, Ohio;

the ability to successfully integrate the newly leased locations or newly acquired businesses into our operations and achieve expected results;

equipment installation delays or malfunctions, including the new Gary, Indiana temper mill and cut-to-length line; and

the ability to comply with the terms of the new asset-based credit facility to make the required term loan payments;

general and global business, economic, financial and political conditions, including the ongoing effects of the global economic recovery;

access to capital and global credit markets;

competitive factors such as the availability and pricing of metal, industry shipping and inventory levels and rapid fluctuations in customer demand and metal pricing;

the cyclicality and volatility within the metals industry;

the ability of our customers (especially those that may be highly leveraged, and those with inadequate liquidity) to maintain their credit availability;

the ability of our customers to honor their agreements related to derivative instruments;

customer, supplier and competitor consolidation, bankruptcy or insolvency;

reduced production schedules, layoffs or work stoppages by our own or our suppliers' or customers' personnel;

the availability and costs of transportation and logistical services;

the amounts, successes and our ability to continue our capital investments and strategic growth initiatives and our business information system implementations;

the successes of our strategic efforts and initiatives to increase sales volumes, maintain or improve working capital turnover and free cash flows, reduce costs, improve inventory turnover and improve our customer service;

the timing and outcome of inventory lower of cost or market adjustments;

the adequacy of our existing information technology and business system software;

the successful implementation of our new information systems;

the timing and outcome of our joint venture' s efforts and ability to liquidate its remaining real estate;

our ability to pay regular quarterly cash dividends and the amounts and timing of any future dividends;

our ability to generate free cash flow through operations, reduce inventory and to repay debt within anticipated time frames; and

the recently enacted federal healthcare legislation' s impact on the healthcare benefits required to be provided by us and the impact of such legislation on our compensation and administrative costs.

Should one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, intended, expected, believed, estimated, projected or planned. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to republish revised forward-looking statements to reflect the occurrence of unanticipated events or circumstances after the date hereof, except as otherwise required by law.

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Chicago Tube and Iron Company Acquisition

On July 1, 2011, we acquired all of the outstanding common shares of Chicago Tube and Iron Company (CTI), pursuant to the terms of an Agreement and Plan of Merger dated May 18, 2011. CTI stocks, processes and fabricates metal tubing, pipe, bar, valves and fittings and pressure parts at nine operating facilities located primarily throughout the Midwestern United States. The acquisition of CTI enhances our commercial opportunities by adding new product offerings to an expanded customer base and by increasing our distribution footprint.

We paid total cash consideration of $159.9 million, consisting of a base purchase price of $150.0 million, plus the closing cash, working capital and McNeeley purchase agreement payments totaling approximately $9.9 million. In addition, we assumed approximately $5.9 million of indebtedness and acquired $11.1 million of cash from CTI. We funded our acquisition of CTI primarily with borrowings under our $335 million Amended and Restated Loan and Security Agreement dated July 1, 2011 (the ABL Credit Facility). The new five-year ABL Credit Facility includes a $265 million revolving credit facility and a $70 million term loan.

During 2011, we incurred $919 thousand of direct acquisition-related costs, which are included in "Administrative and general" expense in the Consolidated Statement of Operations for the nine months ended September 30, 2011.

Overview

We are a leading metal service center that provides metal processing services and distributes a wide range of metal products, many of which have different gross profits and margins, to customers in a broad range of industries. Products that require more value-added processing generally have a greater gross profit and higher margins. Accordingly, our overall gross profit is affected by, among other things, product mix, the amount of processing performed, the demand for and availability of metal, volatility in selling prices and material purchase costs. We also perform toll processing of customer-owned metal. We sell certain products internationally, primarily in Puerto Rico and Mexico. International sales have been immaterial to our consolidated financial results.

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Our results of operations are affected by numerous external factors including, but not limited to: general and global business, economic, financial, banking and political conditions; competition; metal pricing, demand and availability; energy prices; pricing and availability of raw materials used in the production of metals; inventory held in the supply chain; customer demand for metal; customers' ability to manage their credit line availability; and layoffs or work stoppages by our own, our suppliers' or our customers' personnel. The metals industry also continues to be affected by the global consolidation of our suppliers, competitors and end-use customers.

Like many other service centers, we maintain substantial inventories of metal to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase metal in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon customer forecasts, historic buying practices, supply agreements with customers and market conditions. Our commitments to purchase metal are generally at prevailing market prices in effect at the time we place our orders. When metal prices increase, competitive conditions will influence how much of the price increase we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, the net sales and profitability of our business could be adversely affected. When metal prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sale prices and, consequently, lower margins as we use existing metal inventory.

At September 30, 2011, we employed approximately 1,682 people. Approximately 382 of the hourly plant personnel at our Detroit, Michigan; Duluth, Minnesota; Indianapolis, Indiana; Locust, North Carolina; Milan, Illinois; Minneapolis, Minnesota; Romeoville, Illinois; and St. Paul, Minnesota facilities are represented by nine separate collective bargaining units. The collective bargaining agreement covering our Duluth facility expires on December 21, 2011. The collective bargaining agreements covering our Indianapolis, Locust, Minneapolis plate and Detroit facilities' workers expire on January 29, 2012, March 4, 2012, March 31, 2012, and August 31, 2012, respectively. Collective bargaining agreements covering our St. Paul, Romeoville and Milan facilities workers expire May 25, 2013, May 31, 2013 and August 12, 2013, respectively. The collective bargaining agreement covering our Minneapolis coil facility workers expires September 30, 2015. We have never experienced a work stoppage and we believe that our relationship with employees is good. However, any prolonged work stoppages by our personnel represented by collective bargaining units could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Reportable Segments

As a result of our acquisition of CTI, we now operate in two reportable segments; flat products and tubular and pipe products.

Flat products

The primary focus of our flat products segment is on the direct sale and distribution of large volumes of processed carbon, coated, aluminum and stainless flat-rolled sheet, coil and plate products. We act as an intermediary between metal producers and manufacturers that require processed metal for their operations. We serve customers in most carbon steel consuming industries, including manufacturers and fabricators of transportation and material handling equipment, construction and farm machinery, storage tanks, environmental and energy generation equipment, automobiles, food service and electrical equipment, military vehicles and equipment, as well as general and plate fabricators and metals service centers. We distribute our products primarily through a direct sales force.

The flat products segment has 19 strategically-located processing and distribution facilities in the United States and one in Monterrey, Mexico. This geographic footprint allows us to focus on regional

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customers and larger national and multi-national accounts, primarily located throughout the midwestern, eastern and southern United States. In April 2011, we purchased a building on United States Steel Corporation' s, or U.S. Steel' s Gary Works facility in Gary, Indiana for $4.3 million, where we plan to locate our new temper mill and cut-to-length line. In the third quarter of 2011, we entered into a capital lease and purchase agreement to buy a facility in Streetsboro, Ohio. Both facilities are expected to be operational in 2012.

Tubular and pipe products

The tubular and pipe products segment consists of the newly acquired CTI business. Through our tubular and pipe products segment, we distribute metal tubing, pipe, bar, valve and fittings and fabricate pressure parts supplied to various industrial markets. Founded in 1914, CTI is one of the largest steel service centers in the United States, with nine operations, primarily throughout the Midwest.

Results of Operations

Consolidated Operations

The following table presents consolidated operating results for the periods indicated (dollars are shown in thousands):

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2011		2010		2011		2010	
	$	% of net sales	$	% of net sales	$	% of net sales	$	% of net sales
Net sales	$348,547	100.0 %	$209,185	100.0 %	$941,928	100.0 %	$589,842	100.0 %
Gross profit (1)	67,489	19.4 %	37,455	17.9 %	191,290	20.3 %	116,166	19.7 %
Operating expenses (2)	58,174	16.7 %	38,731	18.5 %	150,763	16.0 %	108,529	18.4 %
Operating income (loss)	$9,315	2.7 %	$(1,276)	(0.6 %)	$40,527	4.3 %	$7,637	1.3 %

(1) Gross profit is calculated as net sales less the cost of materials sold.
(2) Operating expenses are calculated as total costs and expenses less the cost of materials sold.

Net sales increased 66.6% to $348.5 million in the third quarter of 2011 from $209.2 million in the third quarter of 2010. Net sales increased 59.7% to $941.9 million in the first nine months of 2011 from $589.8 million in the first nine months of 2010. The increase in sales for the three and nine months ended September 30, 2011 was due to increased sales volume and pricing in the flat products segment and the July 1, 2011 acquisition of CTI. CTI sales for the three and nine months totaled $61.4 million, accounting for 17.6% and 6.5% of the three and nine month increases, respectively. We expect our sales to soften during the fourth quarter as market prices for metals continue to decline and shipments slow during the fourth quarter due to normal seasonal patterns.

As a percentage of net sales, gross profit increased to 19.4% in the third quarter of 2011 compared to 17.9% in the third quarter of 2010. For the first nine months of 2011, gross margins increased to 20.3% from 19.7% in the first nine months of 2010. The increases in gross margin for the three and nine months ended September 30, 2011 was primarily due to the acquisition of CTI as their tubular and pipe products have higher gross margins than our traditional flat products. We expect our gross profit

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in the fourth quarter of 2011 to be pressured as market prices for metals have continued to decline into the fourth quarter.

Operating expenses in the third quarter of 2011 increased $19.4 million, or 50.2%, from the third quarter of 2010. Operating expenses in the first nine months of 2011 increased $42.2 million, or 38.9%, from the first nine months of 2010. As a percentage of net sales, operating expenses decreased to 16.7% for the third quarter of 2011 from 18.5% in the comparable 2010 period, and decreased to 16.0% for the first nine months of 2011 from 18.4% in the comparable 2010 period. During 2011, higher operating expenses were primarily attributable to the impact of the acquisition of Chicago Tube and Iron, and variable expenses, such as distribution, warehouse and processing, and selling expenses in our flat products segment, increased due to higher shipment levels, more hours worked, and higher sales incentives. Administrative and general expenses increased due to increased performance based incentives, start-up costs related to our six new facilities, and $919 thousand of non-recurring expenses related to the acquisition of Chicago Tube and Iron.

Interest and other expense on debt totaled $2.2 million for the third quarter of 2011 compared to $602 thousand for the third quarter of 2010. Interest and other expense on debt totaled $3.9 million for the first nine months of 2011 compared to $1.6 million for the first nine months of 2010. Our effective borrowing rate, exclusive of deferred financing fees and commitment fees, was 3.1% for the first nine months of 2011 compared to 4.6% for the first nine months of 2010. The increase in interest and other expense on debt in 2011 was primarily attributable to the additional debt incurred for the acquisition of CTI and higher financing fee amortization, offset by the lower borrowing rate under our ABL Credit Facility.

For the third quarter of 2011, income before income taxes totaled $7.0 million compared to a loss of $1.9 million in the third quarter of 2010. For the first nine months of 2011, income before income taxes totaled $36.6 million, compared to $6.0 million in the first nine months of 2010. An income tax provision of 33.3% was recorded for the first nine months of 2011, compared to an income tax provision of 37.9% for the first nine months of 2010. An income tax provision of 12.2% was recorded for the three months ended September 30, 2011, compared to and income tax benefit of 34.1% for the three months ended September 30, 2010. The fluctuations in the Company' s effective tax rates are mainly because of changes in unrecognized tax benefits during the third quarter of 2011. We expect our full year 2011 income tax provision to approximate 34%.

Net income for the third quarter of 2011 totaled $6.1 million or $0.56 per basic and diluted share, compared to a net loss of $1.2 million or $0.11 per basic and diluted share for the third quarter of 2010. Net income for the first nine months of 2011 totaled $24.4 million or $2.23 per basic and diluted share, compared to $3.7 million or $0.34 per basic and diluted share for the first nine months of 2010.

Segment Operations

Flat products

The following table presents operating results for our flat products segment for the three and nine months ended September 30, 2011 and 2010 (dollars are shown in thousands):

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	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2011		2010		2011		2010	
		% of net sales		% of net sales		% of net sales		% of net sales
Direct tons sold	248,978		218,173		810,578		647,729	
Toll tons sold	17,425		22,164		58,572		66,588	
Total tons sold	266,403		240,337		869,150		714,317	
Net sales	$287,137	100.0 %	$209,185	100.0 %	$880,518	100.0 %	$589,842	100.0 %
Average selling price	$1,078		$870		$1,013		$826	
Gross profit (1)	$51,021	17.8 %	$37,455	17.9 %	$174,822	19.9 %	$116,166	19.7 %
Operating expenses (2)	$45,259	15.8 %	$38,731	18.5 %	$137,848	15.7 %	$108,529	18.4 %
Operating income	$5,762	2.0 %	$(1,276)	-0.6 %	$36,974	4.2 %	$7,637	1.3 %

(1) Gross profit is calculated as net sales less the cost of materials sold.

(2) Operating expenses are calculated as total costs and expenses less the cost of materials sold.

Tons sold by our flat products segment increased 10.8% to 266 thousand in the third quarter of 2011 from 240 thousand in the third quarter of 2010. Tons sold increased 21.7% to 869 thousand in the first nine months of 2011 from 714 thousand in the first nine months of 2010. Direct tons sold in 2011 were higher in substantially all markets in which we sell, compared to 2010. Toll tons sold in 2011 were lower as our Detroit sales mix has increase to more direct sales in 2011 and certain business which moved to direct sales versus toll sales in 2010.

Net sales in our flat products segment increased 37.3% to $287.1 million in the third quarter of 2011 from $209.2 million in the third quarter of 2010. Average selling prices in the third quarter of 2011 were $1,078 per ton, compared with $870 per ton in the third quarter of 2010, and $1,048 per ton in the second quarter of 2011. Net sales increased 49.3% to $880.5 million in the first nine months of 2011 from $589.8 million in the first nine months of 2010. The 2011 increases in sales were due to both higher tons sold and increased average selling prices. We expect our flat products tons sold and sales to soften during the fourth quarter as market prices for metals continue to decline and shipments slow during the fourth quarter due to normal seasonal patterns.

As a percentage of net sales, gross profit totaled 17.8% in the third quarter of 2011 compared to 17.9% in the third quarter of 2010. For the first nine months of 2011, gross margins increased to 19.9% from 19.7% in the first nine months of 2010. We expect our flat products gross profit in the fourth quarter of 2011 to be pressured as market prices for metal declined into the fourth quarter.

Operating expenses in the third quarter of 2011 increased $6.5 million, or 16.9%, from the third quarter of 2010. Operating expenses in the first nine months of 2011 increased $29.3 million, or 27.0%, from the first nine months of 2010. As a percentage of net sales, operating expenses decreased to 15.8% for the third quarter of 2011 from 18.5% in the comparable 2010 period. As a percentage of net sales, operating expenses decreased to 15.7% for the first nine months of 2011 from 18.4% in the comparable 2010 period. During 2011, variable expenses, such as distribution, warehouse and processing, and selling expenses increased due to higher shipment levels, more hours worked, and higher sales incentives. Administrative and general expenses increased due to increased performance based incentives, start-up costs related to our six new facilities, and $919 thousand of non-recurring expenses related to the acquisition of Chicago Tube and Iron.

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Operating income for the third quarter of 2011 totaled $5.8 million compared to an operating loss of $1.3 million for the third quarter of 2010. Operating income for the first nine months of 2011 totaled $37.0 million compared to $7.6 million for the first nine months of 2010.

Tubular and pipe products

The Company' s tubular and pipe products segment consists of the recently acquired CTI business, and the following discussion outlines this segment' s impact on consolidated results from the acquisition date of July 1, 2011 through September 30, 2011.

Net sales in our tubular and pipe products segment were $61.4 million, or 17.6% of consolidated net sales in the three months ended September 30, 2011. Tubular and pipe products segment gross margins are higher than our traditional flat products segment. As part of purchase price accounting, certain CTI inventory was adjusted to its fair market value or its selling price, and then subsequently expensed to cost of goods sold. This resulted in lower third quarter tubular and pipe products segment gross margins of approximately $1.0 million, or 1.6% of segment sales. Fourth quarter gross margins are expected to be impacted by $136 thousand. As a percentage of net segment sales, gross profit totaled 26.8% for the quarter ended September 30, 2011. Operating expenses for the tubular and pipe products segment were $12.9 million, or 21.0% of net segment sales, in the three months ended September 30, 2011. Operating income for the three and nine months ended September 30, 2011 totaled $3.6 million. Normal seasonal patterns and declining metals prices may result in fourth quarter declines in sales and profitability as compared to the third quarter.

Liquidity, Capital Resources and Cash Flows

Our principal capital requirements include funding working capital needs, purchasing, upgrading and acquiring processing equipment and facilities and other businesses, making acquisitions and paying dividends. We use cash generated from operations, leasing transactions and borrowings under our credit facility to fund these requirements.

Operating Activities

For the nine months ended September 30, 2011, we used $9.8 million of net cash for operations, of which $43.8 million was generated from operating activities and $53.6 used for working capital.

Working capital at September 30, 2011 totaled $291.0 million, a $94.9 million increase from December 31, 2010. The acquisition of CTI contributed $61.9 million of working capital at July 1, 2011. The increase was attributable to the rising price and volume environment, which increased our working capital requirements. The increase was primarily attributable to a $49.4 million increase in accounts receivable (resulting from higher sales volumes and sales prices), a $40.7 million increase in inventories (resulting from increased inventory purchases and higher metal prices), and a $10.2 million increase in accrued payroll and other accrued liabilities, partially offset by a $43.9 million increase in accounts payable (associated with higher steel prices).

Investing Activities

Net cash used for investing activities was $172.7 million during the nine months ended September 30, 2011, compared to $10.7 million used during the nine months ended September 30, 2010. On July 1, 2011, the Company acquired CTI and total cash paid, net of cash acquired, was $148.8 million. In July 2011, the Company sold its Oakboro, North Carolina facility, which had been classified as an asset held for sale in the CTI purchase price allocation, for net cash of $675 thousand.

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During the first nine months of 2011, we spent $24.6 million on capital expenditures. The expenditures were primarily attributable to payments on the new temper mill facility and equipment in Gary, Indiana, additional processing equipment at our existing facilities and costs related to the implementation of our new computer systems. During 2011, we expect to spend approximately $35 million to $40 million for capital expenditures, primarily related to the completion of the Gary, IN project, investment in our new business system implementations, value-added equipment and maintenance-type capital expenditures.

We continue to successfully implement our new business systems. During the first nine months of 2011, we expensed $670 thousand and capitalized $804 thousand associated with the implementation of the systems. Since the project began in 2006, we have expensed $10.6 million and capitalized $16.4 million associated with the project.

Financing Activities

During the first nine months of 2011, $182.2 million of cash was provided from financing activities, which primarily consisted of borrowings under our ABL Credit Facility revolver and term loan. In addition, we paid $4.2 million of bank financing fees in connection with our July 1, 2011 amendment to our existing credit facility pursuant to which we entered into the ABL Credit Facility.

Dividends paid were $654 thousand and $653 thousand in the nine months ended September 30, 2011 and 2010, respectively. In November, 2011, our Board of Directors approved a regular quarterly dividend of $0.02 per share, which will be paid on December 15, 2011 to shareholders of record as of December 1, 2011. Regular dividend distributions in the future are subject to the availability of cash, the $2.5 million annual limitation on cash dividends under our ABL Credit Facility and continuing determination by our Board of Directors that the payment of dividends remains in the best interest of our shareholders.

Debt Arrangements

On July 1, 2011 the Company amended its existing asset-based revolving credit facility by entering into the ABL Credit Facility. The ABL Credit Facility provide for borrowings up to $335 million consisting of a revolving credit line of $265 million and a $70 million term-loan. Revolver borrowings are limited to the lesser of a borrowing base, comprised of eligible receivables and inventories, or $265 million in the aggregate. The ABL Credit Facility matures on July 1, 2016.

The ABL Credit Facility requires the Company to comply with various covenants, the most significant of which include: (i) until maturity of the ABL Credit Facility, if any commitments or obligations are outstanding and the Company' s availability is less than the greater of $20 million, 12.5% of the aggregate amount of revolver commitments, or 60% of the principal balance of the Term Loan then outstanding, then the Company must maintain a ratio of EBITDA minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.10 to 1.00 for the most recent twelve fiscal month period; (ii) limitations on dividend payments; (iii) restrictions on additional indebtedness; and (iv) limitations on investments and joint ventures. The Company has the option to borrow on its revolver based on the agent' s base rate plus a premium ranging from 0.50% to 1.00% or the London Interbank Offered Rate (LIBOR) plus a premium ranging from 2.00% to 2.5%. The term loan is based on the agent' s base rate plus a premium ranging from 1.00% to 1.50% or LIBOR plus a premium ranging from 2.50% to 3.00%.

As part of the CTI acquisition, the Company assumed approximately $5.9 million of Industrial Revenue Bond (IRB) indebtedness of CTI. The bond matures in April 2018 with the option to provide principal payments annually each April 1st. Interest is payable monthly, with a variable rate that resets weekly. As a security for payment of the IRB, the Company obtained a direct pay letter of credit

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issued by JPMorgan Chase Bank, N.A. The letter of credit reduces annually by the principal reduction amount.

As of September 30, 2011, $5.1 million of bank financing fees were included in “Prepaid expenses and other” and “Other long-term assets” on the accompanying Consolidated Balance Sheet. The financing fees are being amortized over the five year term of the amended credit facility.

As of September 30, 2011, the Company was in compliance with its covenants and had approximately $83 million of availability under the ABL Credit Facility.

We believe that funds available under our ABL Credit Facility and lease arrangement proceeds, together with funds generated from operations, will be sufficient to provide us with the liquidity necessary to fund anticipated working capital requirements, capital expenditure requirements and our dividend payments over at least the next 12 months. In the future, we may, as part of our business strategy, acquire companies in the same or complementary lines of business, or enter into and exit strategic alliances and joint ventures. Accordingly, the timing and size of our capital requirements are subject to change as business conditions warrant and opportunities arise.

Contractual obligations

(amounts in thousands)		Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations	(a)	$282,121	$11,444	$33,919	$231,307	$5,451
Unrecognized tax positions	(b)	83	29	54	–	–
Other long-term liabilities	(c)	7,823	1,562	1,243	749	4,269
Capital leases	(d)	1,603	156	1,447	–	–
Operating leases	(d)	15,923	1,295	7,336	3,960	3,332
Total contractual obligations		$307,554	$14,486	$44,000	$236,016	$13,052

(a) See Note 9 to the Consolidated Financial Statements. Includes debt balance and future interest obligations on debt at current interest rates.
(b) Classification is based on expected settlement dates and the expiration of statutes of limitations.
(c) Primarily consists of accrued bonuses, retirement liabilities and deferred compensation payable in future years.
(d) See Note 15 to the Consolidated Financial Statements.

Critical Accounting Policies

This Management’ s Discussion and Analysis of Financial Condition and Results of Operations is based on the consolidated financial statements included in this Quarterly Report on Form 10-Q, which have been prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements. We monitor and evaluate our estimates and assumptions, based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

We review our financial reporting and disclosure practices and accounting practices quarterly to ensure they provide accurate and transparent information relative to the current economic and business environment. The following critical accounting policies have been updated or added since our Annual

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Report on Form 10-K for the year ended December 31, 2010 as a result of business conditions that occurred during 2011.

Inventory Valuation

Flat products inventories are stated at the lower of cost or market and include the costs of the purchased metal, internal and external processing and inbound freight. Cost of the Company’ s flat product segment’ s metal flat-rolled sheet, coil and plate products is determined using the specific identification method.

As a result of the acquisition of CTI, certain of the Company’ s tubular metal products inventory is stated under the last-in, first-out, or LIFO, method, which is not in excess of market. At September 30, 2011, approximately $38.6 million, or 13.1% of consolidated inventory, was reported under the LIFO method of accounting. The cost of the remainder of CTI’ s inventory is determined using a weighted average rolling first-in, first-out method.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price paid over the fair value of the net assets acquired. We perform an annual impairment test of goodwill and indefinite-lived intangible assets on December 31, or more frequently if changes in circumstances or the occurrence of events indicate potential impairment. Events or changes in circumstances that could trigger an impairment review include significant nonperformance relative to the expected historical or projected future operating results, significant changes in the manner of the use of the acquired assets or the strategy for the overall business or significant negative industry or economic trends.

The fair value of each indefinite-lived intangible asset is compared to its carrying value and an impairment charge is recorded if the carrying value exceeds the fair value. Goodwill is tested by comparing the fair value of each reporting unit with its carrying value. If the carrying value of the reporting unit exceeds its fair value, the implied value of goodwill is compared to its carrying value and impairment is recognized to the extent that the carrying value exceeds the implied fair value.

We estimate the fair value of goodwill and other indefinite-lived intangible assets using a discounted cash flow methodology. Management’ s assumptions used for the calculations are based on historical results, projected financial information and recent economic events. Actual results could differ from these estimates under different assumptions or conditions which could adversely affect the reported value of goodwill.

Long-Lived Assets

We evaluate the recoverability of long-lived assets and the related estimated remaining lives whenever events or circumstances indicate that the carrying value of its depreciable long-lived assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, or grouping of assets, is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, a loss is recognized to the extent that carrying value exceeds fair value. Fair value is measured based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows.

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Foreign Currency Transactions and Translation

Our operation in Monterrey, Mexico uses the Mexican peso as its functional currency. Assets and liabilities are translated at month-end exchange rates. Income and expense items are translated at the monthly average rates. Cumulative translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in shareholder' s equity.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Our principal raw materials are carbon, coated and stainless steel, and aluminum products that we typically purchase from multiple primary metal producers. The metal industry as a whole is cyclical and, at times, pricing and availability of metal can be volatile due to numerous factors beyond our control, including general domestic and international economic conditions, labor costs, sales levels, competition, levels of inventory held by other metals service centers, consolidation of metal producers, new global capacity by metal producers, higher raw material costs for the producers of metal, import duties and tariffs and currency exchange rates. This volatility can significantly affect the availability and cost of raw materials for us.

We, like many other metals service centers, maintain substantial inventories of metal to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase metal in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon historic buying practices, supply agreements with customers and market conditions. Our commitments to purchase metal are generally at prevailing market prices in effect at the time we place our orders. We have no long-term, fixed-price metal purchase contracts. When metal prices increase, competitive conditions will influence how much of the price increase we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, the net sales and profitability of our business could be adversely affected. When metal prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sale prices and, consequently, lower margins and inventory lower of cost or market adjustments as we sell existing inventory. Significant or rapid declines in metal prices or reductions in sales volumes could adversely impact our ability to remain in compliance with certain financial covenants in our credit facility, as well as result in us incurring inventory or goodwill impairment charges. Changing metal prices therefore could significantly impact our net sales, gross margins, operating income and net income.

Rising prices result in higher working capital requirements for us and our customers. Some customers may not have sufficient credit lines or liquidity to absorb significant increases in the price of metal. While we have generally been successful in the past in passing on producers' price increases and surcharges to our customers, there is no guarantee that we will be able to pass on price increases to our customers in the future.

Declining metal prices have generally adversely affected our net sales and net income, while increasing metal prices, have generally favorably affected our net sales and net income.

Approximately 10.0% of our consolidated net sales in the first nine months of 2011 were directly to automotive manufacturers or manufacturers of automotive components and parts. Historically, due to the concentration of customers in the automotive industry, our gross margins on these sales have generally been less than our margins on sales to customers in other industries.

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Inflation generally affects us by increasing the cost of employee wages and benefits, transportation services, processing equipment, energy and borrowings under our credit facility. General inflation, excluding increases in the price of steel and increased distribution expense, has not had a material effect on our financial results during the past two years.

We are exposed to the impact of fluctuating metal prices and interest rate changes. During the first nine months of 2011, we entered into nickel swaps at the request of customers. While these derivatives are intended to be effective in helping us manage risk, they have not been designated as hedging instruments. For certain customers, we enter into contractual relationships that entitle us to pass-through the economic effect of trading positions that we take with other third parties on our customers' behalf.

Our primary interest rate risk exposure results from variable rate debt. We have the option to enter into 30- to 180-day fixed base rate LIBOR loans under the ABL Credit Facility. The Company assumed an interest rate swap agreement on the $5.9 million of CTI IRB. The swap agreement matures April 2018, but may be reduced annually by the amount of the optional principal payments on the IRB. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparties.

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Table of Contents

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

The evaluation required by Rule 13a-15 of the Securities Exchange Act of 1934 of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on From 10-Q has been carried out under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. These disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports that are filed with or submitted to the SEC is: (i) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (ii) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We acquired all of the outstanding common shares of CTI on July 1, 2011, and it represented 28.5% of our total assets as of September 30, 2011. As this acquisition occurred during the last 12 months, the scope of our assessment of the effectiveness of disclosure controls and procedures does not include CTI. This exclusion is in accordance with the SEC' s general guidance that an assessment of a recently acquired business may be omitted from our scope in the year of acquisition. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2011, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during the third quarter of 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II. OTHER INFORMATION

Items 1, 1A, 2, 3, 4 and 5 of this Part II are either inapplicable or are answered in the negative and are omitted pursuant to the instructions to Part II.

Item 6. ***Exhibits***

Exhibit	Description of Document	Reference
4.22	Amended and Restated Loan and Security Agreement, dated as of July 1, 2011, by and among the Registrant, the financial institutions from time to time party thereto, Bank of America, N.A., as administrative agent, and the other agents from time to time party thereto.	Incorporated by reference to Exhibit 4.21 to Registrant' s Form 8-K filed with the Commission on July 8, 2011 (Commission File No. 0-23320).
10.32	Donald McNeely Employment Agreement effective as of July 1, 2011	Filed herewith
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith
32.1	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith
32.2	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith

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[Table of Contents](#)

SIGNATURES

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

OLYMPIC STEEL, INC.
(Registrant)

Date: November 7, 2011

By: /s/ Michael D. Siegal
Michael D. Siegal
Chairman of the Board and Chief Executive Officer

By: /s/ Richard T. Marabito
Richard T. Marabito
Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)

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Exhibit 10.32

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made and entered into effective as of the Effective Date, as hereinafter defined, by and among Chicago Tube & Iron Company, a Delaware corporation ("Chicago Tube & Iron"), Olympic Steel, Inc., an Ohio corporation (the "Company"), and DR. DONALD R. MCNEELEY ("Executive").

WHEREAS, Chicago Tube & Iron and Executive, an officer of Chicago Tube & Iron, entered into an employment agreement on January 1, 2008 ("Prior Agreement");

WHEREAS, Chicago Tube & Iron and the Company have entered into the Agreement and Plan of Merger, dated May 18, 2011 (the "Merger Agreement");

WHEREAS, the Company, Chicago Tube & Iron and Executive desire to enter into this Agreement, subject to, contingent upon and effective upon the consummation of the transactions contemplated by the Merger Agreement (the "Acquisition") through which Chicago Tube & Iron will become a wholly owned subsidiary of the Company; and

WHEREAS, the Prior Agreement shall terminate and this Agreement shall become effective immediately following the Acquisition (the "Effective Date").

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

1. Operation of Agreement. This Agreement will not become effective or operative (and neither party will have any obligation hereunder) until the Effective Date. Upon the Effective Date, the Prior Agreement shall terminate in its entirety and no longer be in force or have effect. If the Merger Agreement terminates for any reason without the occurrence of the Acquisition, this Agreement will not become effective and all the terms and provisions of this Agreement shall be null and void.

2. Term of Employment. Chicago Tube & Iron hereby agrees to employ Executive, and Executive hereby agrees to serve Chicago Tube & Iron, on the terms and conditions set forth herein for the period commencing as of the Effective Date and expiring on the fifth anniversary of the Effective Date (the "Initial Employment Period"). The Initial Employment Period shall automatically be renewed on the fifth anniversary of the Effective Date for a period of an additional three years from such date (the "Renewal Period") unless, at least ninety (90) days prior to the first date of the Renewal Period, Executive has given notice to the Company that he does not wish to have the Initial Employment Period extended. Notwithstanding any provision of this Agreement to the contrary, Executive' s role, responsibilities and compensation during the Renewal Period will be determined by mutual agreement of Executive, Chicago Tube & Iron and the Company pursuant to negotiations in good faith. Executive, Chicago Tube & Iron and the Company anticipate that at a minimum Executive would serve in a senior advisory capacity during the Renewal Period. Such Initial Employment Period and Renewal Period shall be referred to collectively as the "Employment Period." Notwithstanding any provision to the contrary, Executive' s employment will be at-will, and the Employment Period may be terminated earlier under the terms and conditions set forth herein.

3. Position and Duties. During the Initial Employment Period, Executive shall be the President of the Company' s Chicago Tube & Iron business unit and report directly to the Chief Executive Officer of the Company (the "Chief Executive Officer"). In this position, Executive shall have the overall responsibility for the management and operation of the Chicago Tube & Iron business unit and the performance of such other executive services and duties as shall be reasonably assigned to and requested of him by the Chief Executive Officer, consistent with Executive' s position as the most senior executive of the Company' s Chicago Tube & Iron business unit. In addition, Executive shall serve in any position and office with the Company as the Chief Executive Officer may determine from

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time to time. However, during the Initial Employment Period, Executive shall always remain as President of the Company' s Chicago Tube & Iron business unit and at the level of one of the most senior executive officers of the Company. During the Employment Period, Executive shall devote substantially all his working time and efforts to the business and affairs of Chicago Tube & Iron and the Company, subject to the following sentences, and shall serve Chicago Tube & Iron and the Company in their respective businesses and perform his duties to the best of his ability. Executive may continue to serve as adjunct professor at Northwestern University and as a trustee of the Pipefitters' Local Union 597 Pension Plan, in each case to the extent Executive served in such positions prior to the Effective Date. Executive may not, without the Company' s prior written consent, serve on any Board of Directors for any company other than for the Company and the companies listed in the following sentence. Executive may continue to serve as a member of the Board of Directors of Saulsbury Industries, currently located in Odessa, Texas, and Vail Rubber Co., currently located in St. Joseph, Michigan. During the Initial Employment Period, the Board of Directors of the Company (the "Board") shall use its best efforts to cause Executive to be elected to the Board at each annual meeting of the Company' s shareholders in which the shareholders elect the members of his class of directors. Such best efforts shall include, but not be limited to, nominating Executive, supporting and recommending Executive and including Executive in all applicable proxy materials, in each case subject to the Board' s fiduciary duties.

4. Compensation.

(a) Salary. During the Initial Employment Period, Chicago Tube & Iron shall pay and Executive shall receive a base salary at the rate of Five-Hundred Seventy-Five Thousand dollars ($575,000.00) per year (the "Base Salary"). Executive' s salary shall be reviewed annually, although any salary adjustments shall be at the sole discretion of the Board or any duly authorized committee thereof, including but not limited to the Compensation Committee. Notwithstanding the foregoing, in no event shall Executive' s salary be adjusted below the Base Salary amount unless agreed to in writing otherwise by Executive, Chicago Tube & Iron, and the Company as set forth in Section 12 below. Such salary shall be payable in accordance with the normal policies of Chicago Tube & Iron for payment of its senior executives.

(b) Benefits Generally. During the Initial Employment Period (and with respect to Section 4(b)(ii) below, during the Renewal Period), in addition to the benefit plans of Chicago Tube & Iron (except where participation would result in a duplication of benefits or participation in more than one plan providing a similar category of benefits), Executive shall be eligible to participate in all welfare and benefit plans that are currently maintained or established, or that may be established and maintained in the future, by the Company for its senior executives generally, including but not limited to:

(i) group life and disability insurance coverage;

(ii) medical, dental and hospitalization insurance coverage,

(iii) long term incentive and equity-based plans (other than the Company' s Senior Management Compensation Plan);

(iv) the reimbursement plan for financial services and tax planning; provided, that such reimbursements shall not exceed $10,000 per year and shall be paid in accordance with the requirements of Section 22 below; and

(v) retirement plans, including but not limited to any supplemental executive retirement plans, such as the Company' s Supplemental Executive Retirement Plan (the "SERP"), which on the date of this Agreement includes terms providing that (A) the Company will allocate an annual deemed

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base contribution to Executive' s account under the SERP equal to 13% of his Applied Compensation (as defined in the SERP), for the respective year; (B) Executive is eligible to receive an annual additional deemed Incentive Contribution if certain performance criteria are met for the year (as defined in the SERP); (C) Executive' s benefit will vest in full on the date he completes five years of participation in the SERP; and (D) the entire amount held in Executive' s account under the SERP will be denominated in restricted stock units of the Company and, if his account is distributed, the amount held in the account will be paid in shares of the Company' s common stock.

Notwithstanding any provision to the contrary, this Section 4(b) is subject to all the terms and conditions set forth in each applicable welfare and benefit plan, including the eligibility provisions and the ability of Chicago Tube & Iron or the Company to amend and terminate each such plan. For purposes of this Agreement, no benefit shall be considered to have accrued as of any date under any welfare or benefit plan referred to in this Section 4(b) if such benefit remains subject to a discretionary determination under the terms of such plan as of such date.

(c) Expenses. Chicago Tube & Iron shall reimburse Executive for reasonable direct expenses incurred by him on behalf of Chicago Tube & Iron in the performance of his duties during the Employment Period, which amounts shall be paid in accordance with the requirements of Section 22 below, to the extent those requirements are applicable. Executive shall furnish Chicago Tube & Iron with such documentation as is requested by Chicago Tube & Iron in order for it to comply with the Code and regulations thereunder in connection with the proper deduction of such expenses.

(d) Annual Bonus.

(i) During the Initial Employment Period, in lieu of participation in the Company' s Senior Management Compensation Plan, Executive shall be eligible for an annual performance bonus (the "Performance Bonus"), in such amount and based on Chicago Tube & Iron' s performance against specific budgeted target levels (which budgeted target levels will consider market conditions and Chicago Tube & Iron' s historical methodology of budget creation) (the "Performance Target") as submitted to and determined by the Compensation Committee of the Board (the "Compensation Committee"); provided that the Performance Bonus will be based on the operating income of the operations of the Chicago Tube & Iron business unit, without regard to any adjustment for last in first out inventory accounting, home office, overhead, or similar allocations of expenses of other business units, and that Executive' s Performance Bonus amount shall be a percentage of his Base Salary that is the same percentage of his Performance Target achieved for the year in accordance with the following:

Percentage of Performance Target Achieved	Percentage of Base Salary
> 120%	120%
120%	120%
110%	110%
100%	100%
95%	95%
90%	90%
85%	85%
< 85%	0

Notwithstanding any provision to the contrary, Executive' s 2011 Performance Bonus shall have a performance period which begins on the Effective Date and ends on December 31, 2011 and shall be calculated as a percentage of his Base Salary earned during such period.

(ii) Each year during the Initial Employment Period, the Chief Executive Officer and Executive shall recommend to the Compensation Committee of the Board the Performance Target applicable to Executive with respect to the Performance Bonus for the respective performance period;

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provided that the Compensation Committee will in good faith consider such recommendations but determine, in its sole discretion, such Performance Target. The Performance Target shall be determined and communicated to Executive within 90 days after the beginning of each calendar year (or, in the case of the initial performance period beginning on the Effective Date and ending December 31, 2011, within 90 days after the Effective Date). Any recommendation of Performance Target by the Chief Executive Officer and Executive will be consistent with Chicago Tube & Iron' s past practice taking into account all economic and other relevant conditions.

(iii) The Performance Bonus, if any, earned with respect to a calendar year shall be paid in the calendar year following such calendar year, but in all events prior to March 15 of the calendar year next following the calendar year with respect to which the Performance Bonus is earned. In the event of a Change-in-Control in the ownership of the Company, any Performance Bonus amount that has been earned but has not been paid pursuant to this Section 4(d)(iii) shall be paid to Executive within 30 days of the Change-in-Control.

Notwithstanding any provision to the contrary, if the Company is required to restate its annual financial statements for any fiscal year and such restatement would reduce the Performance Bonus payment for the period covered by such financial restatement by more than 5%, Executive shall reimburse the Company for the difference between the Performance Bonus actually paid and the Performance Bonus payable under the restated financial statement. Executive shall make such reimbursement not later than sixty (60) days after the restated financial statements have been made final and disclosed to the public.

(e) Long-Term Incentive Plan. During the Initial Employment Period, Executive shall be eligible to participate in all long-term incentive plans (other than the Senior Management Compensation Plan) that apply to other senior executives of the Company, as any such plans may be created or amended by the Board from time to time.

(f) Automobile. During the Initial Employment Period, Chicago Tube & Iron shall provide Executive with a leased automobile in accordance with its historical practices in providing a leased automobile to Executive; provided, that the monthly payments for the leased automobile provided for herein shall not exceed the monthly leased rates obtained from bona fide third parties for the automobile leased by Executive as of March 10, 2011. Executive shall reimburse Chicago Tube & Iron for his personal use of the leased automobile by an amount of $125 per month.

(g) Country Club Memberships. During the Initial Employment Period, Chicago Tube & Iron shall reimburse Executive for regular membership fees, assessments, and dues incurred by Executive at the Medinah Country Club and the La Grange Country Club (the "Country Clubs"), which reimbursement payments shall be paid in accordance with the requirements of Section 22 below, and will reimburse Executive in accordance with Section 4(c) hereof for the amount of any charges reasonably incurred at the Country Clubs in the conduct of the Company' s and/or Chicago Tube & Iron' s business.

5. Termination of Employment.

(a) Events of Termination. The Employment Period shall terminate immediately upon the occurrence of any of the following events:

(i) the death of Executive;

(ii) upon receipt by Executive of Chicago Tube & Iron' s written notice of intent to terminate due to Disability (the "Disability Effective Date");

(iii) voluntary termination by Executive of his employment with Chicago Tube & Iron;

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(iv) upon receipt by Chicago Tube & Iron of Executive' s written notice that specifies the reasons for employment termination for Good Reason;

(v) upon receipt by Executive of Chicago Tube & Iron' s written notice that specifies the reasons for employment termination for Good Cause; or

(vi) thirty (30) days after Executive' s receipt of Chicago Tube & Iron' s written notice terminating Executive' s employment at any time other than for Good Cause, Death or Disability, for any reason or no reason.

For purposes of Section 5, expiration of the Initial Employment Period upon a notice of Executive under Section 2 that he does not wish to extend the Initial Employment Period shall be deemed a resignation of Executive pursuant to Section 5(a)(iii).

(b) Notice of Termination. Any termination by the Company for Good Cause shall be communicated by Notice of Termination to Executive and any termination by Executive shall be communicated by Notice of Termination to Chicago Tube & Iron, in each case in accordance with Section 10. For purposes of this Agreement, a "Notice of Termination" means a written notice that (i) indicates the specific termination provision in this Agreement relied upon; (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive' s employment under the provision so indicated; and (iii) specifies the Termination Date (as defined below). The failure or omission by the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Cause shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing the Company' s rights hereunder. Except for termination of Executive' s employment by the Company for Good Cause or by Executive for Good Reason, the Notice of Termination shall be given 30 days in advance of the Termination Date.

(c) Termination Date. "Termination Date" means (i) if Executive' s employment is terminated by the Company for Good Cause or by Executive for Good Reason, the date of termination of employment that is set forth in the Notice of Termination (which shall not be earlier than the date on which such notice is given); (ii) if Executive' s employment is terminated by the Company other than for Good Cause or Disability, or Executive resigns other than for Good Reason, the date on which the Company or Executive notifies Executive or the Company, respectively, of such termination, or such later date as may be specified by the terminating party in such notice; provided that such notice must be given 30 days in advance of any such date; and (iii) if Executive' s employment is terminated by reason of death or Disability, the date of death of Executive or the Disability Effective Date, as the case may be.

6. Obligations of Chicago Tube & Iron upon Termination.

(a) Termination by Chicago Tube & Iron or by Executive for Good Reason. If, during the Initial Employment Period, Chicago Tube & Iron terminates Executive' s employment for any reason, other than for an Illegal Act, or, prior to the third anniversary of the Effective Date, Executive terminates his employment for Good Reason, Executive shall be entitled to the following:

(i) Continuation of his Monthly Base Salary (as defined below), paid each month for the period beginning on his Termination Date and ending on the earlier of (A) the fifth anniversary of the Effective Date or (B) a breach by Executive of any obligation in this Agreement, including, but not limited, to Section 7; and

(ii) If Executive' s employment is terminated prior to his attaining age 65, continued reimbursement, which reimbursement payments shall be paid in accordance with the requirements of Section 22 below, by Chicago Tube & Iron of Executive' s regular membership fees, assessments, and

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dues incurred at the Country Clubs until the earliest of (A) his attainment of age 65, (B) his becoming a full time employee of another employer, or (C) a breach by Executive of any material obligations in this Agreement, including, but not limited, to Executive' s obligations in Section 7.

Notwithstanding any provision to the contrary, all payments to Executive pursuant to this Section 6(a) shall cease and Executive shall forfeit all rights to any payments under this Section 6(a) if he does not execute and deliver to the Company a Release and Waiver of Claims within 60 days after the Termination Date, in substantially the form attached hereto as Schedule B, and refrain from revoking, rescinding or otherwise repudiating such Release and Waiver of Claims during all applicable periods in which Executive may revoke it.

(b) Termination by Executive for Any Reason after Third Anniversary. If Executive terminates his employment on or after the third anniversary of the Effective Date and prior to the fifth anniversary of the Effective Date for any reason, Executive shall be entitled to the following:

(i) Continuation of one-half of his Monthly Base Salary, paid each month for the period beginning on his Termination Date and ending on the earlier of (A) the fifth anniversary of the Effective Date or (B) a breach by Executive of any obligation in this Agreement, including, but not limited, to Section 7; and

(ii) If Executive terminates employment prior to his attaining age 65, continued reimbursement, which reimbursement payments shall be paid in accordance with the requirements of Section 22 below, by Chicago Tube & Iron of Executive' s regular membership fees, assessments, and dues incurred at the Country Clubs until the earliest of (A) his attainment of age 65, (B) his becoming a full time employee of another employer, or (C) a material breach by Executive of any obligation in this Agreement, including, but not limited, to Section 7, if Executive fails to cure such breach within ten (10) days following written notice from the Company specifying in reasonable detail the facts and circumstances of such breach.

Notwithstanding any provision to the contrary, all payments to Executive pursuant to this Section 6(b) shall cease and Executive shall forfeit all rights to any payments under this Section 6(b) if he does not execute and deliver to the Company a Release and Waiver of Claims, in substantially the form attached hereto as Schedule B, within 60 days after the Termination Date and refrain from revoking, rescinding or otherwise repudiating such Release and Waiver of Claims during all applicable periods in which Executive may revoke it.

(c) Medical Benefits Upon Certain Terminations. If (i) during the Employment Period, Chicago Tube & Iron terminates Executive' s employment for any reason other than for Good Cause or (ii) during the Initial Employment Period, Executive terminates his employment for Good Reason, Executive shall be entitled to continue participating in the group medical plan of Chicago Tube & Iron or the Company (based upon whichever plan was providing coverage of Executive immediately prior to such termination), with the same contribution rate that applies to active employees generally during the applicable period, until Executive becomes eligible to receive benefits under Medicare or, if earlier, another employer' s medical plan, unless prohibited by applicable law. The cost of coverage for Executive under the medical plan will be taxable to Executive and will be reported as such by Chicago Tube & Iron or the Company in accordance with applicable law. Notwithstanding any provision to the contrary, all benefits to Executive pursuant to this Section 6(c) shall cease and Executive shall forfeit all rights to any benefits under this Section 6(c) if he does not execute and deliver to the Company a Release and Waiver of Claims, in substantially the form attached hereto as Schedule B, within 60 days after the Termination Date and refrain from revoking, rescinding or otherwise repudiating such Release and Waiver of Claims during all applicable periods in which Executive may revoke it.

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(d) Termination for Any Reason. In addition to the payments and benefits provided for in Sections 6(a), 6(b) and 6(c), if applicable, if Executive’ s employment terminates for any reason, including by reason of Executive’ s death during the Employment Period, or at the expiration of the Employment Period, Executive shall be entitled to the following benefits.

(i) Base Salary at the rate then in effect otherwise payable through the Termination Date to the extent not previously paid, which shall be paid in a lump sum in cash within thirty (30) calendar days from the Termination Date;

(ii) Performance Bonus that has been earned and accrued but remains unpaid, which shall be paid in the same form and at the same time as such Performance Bonus, if any, would be paid if Executive’ s employment had not terminated; provided that if Executive’ s employment was terminated by the Company for Good Cause under Section 5(a)(v) or by Executive pursuant to a voluntary termination under Section 5(a)(iii), any payment of the Performance Bonus shall be at the discretion of the Compensation Committee and in no event shall any portion of any subsequent Performance Bonus be deemed to have been earned and accrued;

(iii) Benefits provided for in Section 4(b) that have accrued up to and including the Termination Date, subject to the terms and conditions of the welfare and benefit plans referenced in Section 4(b); and

(iv) Reimbursement of reasonable expenses incurred up to and including the Termination Date under the terms of Section 4(c) and subject to the applicable requirements of Section 22.

Notwithstanding any provision to the contrary, all payments to Executive pursuant to Section 6(d)(ii) shall cease and Executive shall forfeit all rights to any payments under such section if he does not execute and deliver to the Company a Release and Waiver of Claims, in substantially the form attached hereto as Schedule B, within 60 days after the Termination Date and refrain from revoking, rescinding or otherwise repudiating such Release and Waiver of Claims during all applicable periods in which Executive may revoke it.

(e) Monthly Base Salary. For purposes of this Agreement, Executive’ s Monthly Base Salary shall be one-twelfth of his Base Salary as in effect as of his Termination Date.

(f) Cessation of Payments. It is expressly understood that the Company’ s and/or Chicago Tube & Iron’ s payment obligations and Executive’ s participation rights under this Section 6 shall cease in the event Executive materially breaches any of the agreements in Section 7, and if Executive fails to cure such breach within ten (10) days following written notice from the Company specifying in reasonable detail the facts and circumstances of such breach, or if Executive revokes the Release and Waiver of Claims for any reason.

(g) No Further Obligations. Except as expressly set forth in this Section 6, Executive shall not be entitled to any other payments or benefits under this Agreement as a result of the termination of Executive’ s employment.

7. Restrictive Covenants.

(a) Non-Competition. While employed by Chicago Tube & Iron and for a period of twenty-four (24) months after ceasing to be so employed (the “Restrictive Period”) for whatever reason, Executive shall not, directly or indirectly, own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected as an officer, partner, director, consultant or other executive position with, or have any financial interest in (i) any metal service center or distributor conducting business within those portions of the United States wherein the Company or Chicago Tube & Iron is conducting business on the Termination Date, or (ii) a business engaged in direct competition with any other significant business carried on by the Company or

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Chicago Tube & Iron on the Termination Date. In no event shall ownership of less than five (5) percent of the equity of a corporation, limited liability company or other business entity, standing alone, constitute a violation hereof. Chicago Tube & Iron and the Company acknowledge that Executive' s service as a director of Saulsbury Industries, located in Odessa, Texas, Vail Rubber Co., located in St. Joseph, Michigan, and such other directorships, if any, previously approved by the Company shall not be deemed a violation of this Section 7(a).

(b) Non-Solicitation. During the Restrictive Period, Executive shall not directly, indirectly or through an affiliate: (i) solicit, induce, divert, or take away or attempt to solicit, induce, divert or take away any customer, distributor, or supplier of the Company or Chicago Tube & Iron, (ii) solicit, induce, or hire or attempt to solicit, induce, or hire any employee of the Company or Chicago Tube & Iron or any individual who was an employee of the Company or Chicago Tube & Iron on the Termination Date and who has left the employment of the Company or Chicago Tube & Iron, as applicable, after the Termination Date within one year of the termination of such employee' s employment with the Company or Chicago Tube & Iron, as applicable, or (iii) in any way directly or indirectly interfere with such relationships.

(c) Confidentiality.

(i) Executive shall keep in strict confidence, and shall not, directly or indirectly, at any time while employed by Chicago Tube & Iron or after ceasing to be so employed, disclose, furnish, publish, disseminate, make available or, except in the course of performing his duties of employment hereunder, use for his benefit or the benefit of others any trade secrets or Confidential Information. Executive specifically acknowledges that all trade secret and Confidential Information, in whatever media or form maintained, and whether compiled by Chicago Tube & Iron, the Company or Executive, (A) derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, (B) that reasonable efforts have been made by the Company and Chicago Tube & Iron to maintain the secrecy of such information, (C) that such information is the sole property of the Company or Chicago Tube & Iron, as applicable, and (D) that any disclosure or use of such information by Executive while employed by Chicago Tube & Iron (except in the course of performing his duties and obligations hereunder for Chicago Tube & Iron) or after ceasing to be so employed shall constitute a misappropriation of the Company' s or Chicago Tube & Iron' s trade secrets.

(ii) Notwithstanding the provisions of Section 7(c)(i), Executive may disclose Confidential Information to anyone outside of the Company or Chicago Tube & Iron with the express written consent of the Company or Chicago Tube & Iron, as applicable, or Confidential Information that: (A) is at the time of receipt or thereafter becomes publicly known through no wrongful act of Executive; (B) is received from a third party not under an obligation to keep such information confidential and without breach of this Agreement; (C) is required to be disclosed by applicable law or legal process; or (D) is reasonably required to be disclosed in connection with a legal action seeking enforcement of the terms of this Agreement.

(iii) In addition to the provisions of Sections 7(c)(i) and 7(c)(ii), all memoranda, notes, lists, records and other documents (and all copies thereof) made or compiled by Executive or made available to Executive concerning the business of Chicago Tube & Iron or the Company and which are in Executive' s possession or control, will be delivered to the Company or Chicago Tube & Iron at any time on request.

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8. Indemnification. With respect to Executive' s acts or failures to act during the Employment Period in Executive' s capacity as a director, officer, employee or agent of the Company or Chicago Tube & Iron, Executive shall be entitled, during periods in which Executive serves as a director or officer of the Company or Chicago Tube & Iron, to liability insurance coverage on the same basis as other directors and officers of the Company.

9. Binding Agreement; Successors. This Agreement shall inure to the benefit of and be binding upon Executive' s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive' s spouse, or if Executive' s spouse does not survive him, to Executive' s estate. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company, including, without limitation, any person acquiring directly or indirectly all or substantially all of the assets of the Company, whether by merger, consolidation, sale or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement). The Company shall require any such successor to expressly assume and agree to perform this Agreement.

10. Notice. All notices, requests and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) when hand delivered, (b) one business day after being sent by recognized overnight delivery service, or (c) three business days after being sent by registered or certified mail, return receipt requested, postage prepaid, and in each case addressed as follows (or addressed as otherwise specified by notice under this Section 10):

(i) If to Chicago Tube & Iron or the Company, to:

Olympic Steel, Inc.
5096 Richmond Road
Bedford, Ohio 44146

Attention: Chief Executive Officer

With a copy to:

Olympic Steel, Inc.
5096 Richmond Road
Bedford, Ohio 44146
Attention: Chairman, Compensation Committee

(ii) If to Executive, to:

Dr. Donald R. McNeeley
5432 Bending Oaks Place

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Donners Grove, Illinois 60515

11. Withholding. The Company and Chicago Tube & Iron may withhold from any amounts payable under or in connection with this Agreement all federal, state, local and other taxes as may be required to be withheld by the Company or Chicago Tube & Iron under applicable law or governmental regulation or ruling. Notwithstanding any provision to the contrary, to the extent any payment or benefit provided hereunder is taxable to Executive, Executive shall be responsible for the amount of any such tax liability.

12. Amendments; Waivers. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, and is signed by Executive and an officer of the Company specifically designated by the Board or its Compensation Committee to execute such writing. No delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

13. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Illinois, without giving effect to the conflict of law principles of such State. Executive agrees that the state and federal courts located in the State of Illinois shall have jurisdiction in any action, suit or proceeding against Executive based on or arising out of this Agreement and Executive hereby: (a) submits to the personal jurisdiction of such courts; (b) consents to service of process in connection with any action, suit or proceeding against Executive; and (c) waives any other requirement (whether imposed by statute, rule of court or otherwise) with respect to personal jurisdiction, venue or service of process.

14. Equitable Relief. Executive, Chicago Tube & Iron and the Company acknowledge and agree that the covenants contained in Section 7 are of a special nature and that any breach, violation or evasion by Executive of the terms of Section 7 will result in immediate and irreparable injury and harm to the Company, for which there is no adequate remedy at law, and will cause damage to the Company in amounts difficult to ascertain. Accordingly, the Company shall be entitled to the remedy of injunction, as well as to all other legal or equitable remedies to which the Company may be entitled (including, without limitation, the right to seek monetary damages), for any breach, violation or evasion by Executive of the terms of Section 7.

15. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. In the event that any provision of Section 7 is found by a court of competent jurisdiction to be invalid or unenforceable as against public policy, such court shall exercise its discretion in reforming such provision to the end that Executive shall be subject to such restrictions and obligations as are reasonable under the circumstances and enforceable by the Company or Chicago Tube & Iron.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

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17. Headings; Definitions. The headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. Certain capitalized terms used in this Agreement are defined on Schedule A attached hereto.

18. No Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party, except as provided in Section 9.

19. Entire Agreement; No Other Arrangements. This Agreement contains the entire agreement between the parties with respect to the employment of Executive and supersedes any and all other agreements, either oral or in writing, with respect to the employment of Executive, including, without limitation, the Prior Agreement. This Agreement does not, however, affect in any way the Non-Competition Agreement between Executive and the Company entered into in connection with the Merger Agreement and Acquisition. Executive acknowledges that, in executing this Agreement, he has not relied on any representations not set forth in this Agreement. Executive represents that his employment by Chicago Tube & Iron will not violate any other agreement by which Executive is bound.

20. Separation from Service. All references to "termination of employment" or forms and derivations thereof in connection with Executive' s right to receive any payment which is subject to Section 409A of the Code shall refer solely to events which constitute a "separation from service" as defined in Treasury Regulation §1.409A-1(h) and means Executive' s separation from service with Chicago Tube & Iron and all members of the controlled group, for any reason, including without limitation, quit, discharge, or retirement, or a leave of absence (including military leave, sick leave, or other bona fide leave of absence such as temporary employment by the government if the period of such leave exceeds the greater of six months or the period for which Executive' s right to reemployment is provided either by statute or by contract). "Separation from service" also means the permanent decrease in Executive' s service for Chicago Tube & Iron and all controlled group members to a level that is no more than 20% of its prior level. For this purpose, whether a "separation from service" has occurred is determined based on whether it is reasonably anticipated that no further services will be performed by Executive after a certain date or that the level of bona fide services Executive will perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services if Executive has been providing services less than 36 months).

21. Six-Month Delay. Notwithstanding anything in this Agreement to the contrary, if Executive is a "specified employee" (within the meaning of Code Section 409A) on the Termination Date, in the case of any payment made or benefit provided pursuant to this Agreement that is considered to be a "deferral of compensation" subject to Code Section 409A and which is payable upon Executive' s "separation from service" (within the meaning of Code Section 409A) and which otherwise is payable within six months of such separation from service, the payment date for such payment or benefit shall be the date that is the first day of the seventh month after the date of Executive' s "separation from service" (determined in accordance with Code Section 409A). However, notwithstanding anything to the contrary contained in this Section 21 or anywhere else in this Agreement, no delay shall be required under this Section 21 to the extent that such payments do not constitute a "deferral of compensation" under Treasury Regulation Section 1.409A-1(b)(4) or 1.409A-1(b)(9)(iii).

22. Reimbursement and In-Kind Benefits. Notwithstanding any provision to the contrary, if any reimbursements or in-kind benefits provided by the Company or Chicago Tube & Iron pursuant to this Agreement would constitute deferred compensation that is subject to and not exempt from Code Section 409A, such reimbursements or in-kind benefits shall be subject to the following rules: (a) the amounts eligible for reimbursement, or the in-kind benefits provided, during any calendar year may not

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affect the expenses eligible for reimbursement, or the in-kind benefits provided, in any other calendar year; (b) any reimbursement of an eligible expense shall be made on or before the last day of the calendar year following the calendar year in which the expense was incurred; and (c) Executive' s right to an in-kind benefit or reimbursement is not subject to liquidation or exchange for cash or another benefit.

23. Code Section 409A. It is intended that the payments and benefits provided under this Agreement shall either be exempt from application of, or comply with, the requirements of Code Section 409A and the final regulations thereunder. This Agreement shall be construed, administered, and governed in a manner that effects such intent, and the Company and Chicago Tube & Iron shall not take any action that would be inconsistent with such intent and shall make payments in such time and manner as the Company and Chicago Tube & Iron determine would minimize or reduce the risk of adverse taxation under Code Section 409A. In the event that the Company reasonably determines, after consultation with tax counsel, that any compensation or benefits payable under this Agreement may be subject to taxation under Code Section 409A, the Company, after consultation with Executive, shall have the authority to adopt, prospectively or retroactively, such amendments to this Agreement or to take any other actions it determines necessary or appropriate to (a) exempt the compensation and benefits payable under this Agreement from Code Section 409A or (b) comply with the requirements of Code Section 409A. In no event, however, shall this section or any other provisions of this Agreement be construed to require the Company to provide any gross-up for the tax consequences of any provisions of, or payments under, this Agreement and the Company shall have no responsibility for tax consequences to Executive (or his or her beneficiary) resulting from the terms or operation of this Agreement. For purposes of Code Section 409A, any payments or benefits under this Agreement are intended to constitute the right to a series of separate payments or benefits.

24. Survival. The obligations of Chicago Tube & Iron and/or the Company pursuant to Section 6 and the obligations of Executive pursuant to Section 7 shall survive the expiration of the Employment Period in accordance with the terms contained therein.

[SIGNATURES ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date provided herein.

OLYMPIC STEEL, INC.

/s/ Richard Marabito

Name: Richard Marabito
Title: Chief Financial Officer and Treasurer

CHICAGO TUBE & IRON COMPANY

/s/ Richard Marabito

Name: Richard Marabito
Title: Treasurer

/s/ Donald R. McNeeley

DR. DONALD R. MCNEELEY
("Executive")

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Schedule A
Certain Definitions

As used in this Agreement, the following capitalized terms shall have the following meanings:

"Affiliate" of a specified entity means an entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the entity specified for purposes of Code Section 414(b) or (c).

"Change-in-Control" means an event which results in a Change of Control within the meaning of the Company' s 2007 Omnibus Incentive Plan and also results in a change in the ownership or effective control, or in the ownership of a substantial portion of the assets, of the Company, within the meaning of Treasury Regulation §1.409A-3(i)(5).

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.

"Confidential Information" means confidential business information of the Company and its customers and vendors, without limitation as to when or how Executive may have acquired such information. Such Confidential Information shall include, without limitation, the Company' s sales figures, profit or loss figures or other information related to the Company' s internal financial statements, customers, clients, suppliers, vendors and product information, sources of supply, customer lists or other information, selling and servicing methods and business techniques, product development plans, sales and distribution information, business plans and opportunities, or corporate alliances and other information concerning the Company' s actual or anticipated business or products, or which is received in confidence by or for the Company from any other person.

"Disability" means the inability of Executive for a continuous period of ninety (90) days or for one hundred and eighty (180) days in the aggregate during any twelve (12) month period to perform the duties of his position hereunder on an active full-time basis by reason of a disability condition. The Company and Executive acknowledge and agree that the material duties of Executive' s position are unique and critical to the Company and that a disability condition that causes Executive to be unable to perform the essential functions of his position under the circumstances described above will constitute an undue hardship on the Company. Notwithstanding the foregoing, Executive shall not be disabled provided that all of the following conditions have been satisfied:

(a) after receipt of the Company' s written notice of intent to terminate due to Disability (which notice the Company is obligated to send to Executive), Executive shall have the right within ten (10) days to dispute the Company' s ability to terminate him for a Disability;

(b) within ten (10) days after exercising such right, Executive shall submit to a physical exam by the Chief of Medicine of any major hospital in the metropolitan Chicago area, selected by the mutual agreement of the parties;

(c) such physician shall issue his written statement to the effect that in his opinion, based upon his diagnosis, Executive is capable of resuming his employment and devoting his full time and energy in discharging his duties within ten (10) days after the date of such statement; and

(d) Executive returns to work on a full-time basis and devotes his energy in discharging his duties.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.

"Good Cause" means a reasonable determination by the Board made in good faith (without the participation of Executive), pursuant to the exercise of its business judgment, that any one of the following events has occurred:

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(a) Executive is found by the Board to have engaged in (i) willful misconduct, (ii) willful or gross neglect, (iii) fraud, (iv) misappropriation, or (v) embezzlement in the performance of his duties hereunder;

(b) Executive has materially breached the provisions of Section 7 or any other material provision of this Agreement and fails to cure such breach within ten (10) days following written notice from the Company specifying such breach which notice from the Company shall be provided within thirty (30) days after said breach;

(c) Executive is found by the Board to have failed to provide reasonable cooperation with any federal government or other governmental regulatory investigation, the reasonableness of such cooperation to be determined by reference to statutory and regulatory authorities, Federal Sentencing Guidelines, and relevant case law interpretations;

(d) Executive signs or certifies statements required to be made pursuant to Sarbanes-Oxley Sections 302 and 906, or other similar rules or regulations then in effect, which turn out to be false or inaccurate in any material respect; provided, however, that the Board has made a reasonable determination in good faith that Executive knew or should have known that such statements were false or inaccurate in any material respect;

(e) Executive has been indicted by a state or federal grand jury with respect to a felony, a crime of moral turpitude or any crime involving the Company (other than pursuant to actions taken at the direction or with the approval of the Board) and a special committee of the Board, chaired by an outside director appointed by the Chair of the Audit Committee, considers the matter, makes a recommendation to the Board to terminate Executive' s employment for Good Cause, and the Board concurs in that recommendation; or

(f) Executive is found by the Board to have engaged in a material violation of the Code of Conduct of the Company as then in effect.

"Good Reason" means Executive' s termination of his employment with Chicago Tube & Iron as a result of (i) any reduction in aggregate direct remuneration, or any material reduction in position, responsibilities, or duties provided for pursuant to this Agreement or in the aggregate of employee benefits, perquisites, or fringe benefits provided for pursuant to this Agreement, (ii) any good faith determination by Executive that, as a result of a Change-in-Control, he is unable to carry out the responsibilities, duties, authorities, powers, or functions attached to his position as contemplated by this Agreement, (iii) imposition by Chicago Tube & Iron, after a Change-in-Control, of any requirement that Executive' s principal place of work be relocated to a place more than 25 miles from Executive' s principal place of work immediately before a Change-in-Control or that Executive travel in connection with his employment to a significantly greater degree than was customary for Executive immediately before a Change-in-Control, or (iv) any liquidation, dissolution, consolidation, or merger of the Company or transfer of all or a significant portion of its assets unless a successor or successors (by merger, consolidation, or otherwise) to which all or a significant portion of its assets have been transferred shall have assumed all of the duties and obligations of the Company under this Agreement. Notwithstanding the foregoing, Executive' s termination of employment shall not constitute a termination for "Good Reason" unless (A) Executive gives the Company notice of the existence of an event described in clause (i), (ii), (iii) or (iv) above, within sixty days following the first occurrence thereof, (B) the Company does not remedy such event described in clause (i), (ii), (iii) or (iv) above, as applicable, within thirty days of receiving the notice described in the preceding clause (A), and (C) Executive terminates employment within five days of the end of the cure period specified in clause (B), above.

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“Illegal Act” means a reasonable determination by the Board made in good faith (without the participation of Executive), pursuant to the exercise of its business judgment, that Executive has been indicted by a state or federal grand jury with respect to a felony, a crime of moral turpitude or any crime involving the Company (other than pursuant to actions taken at the direction or with the approval of the Board) and a special committee of the Board, chaired by an outside director appointed by the Chair of the Audit Committee, considers the matter, makes a recommendation to the Board to terminate Executive’ s employment for an Illegal Act, and the Board concurs in that recommendation.

“Release and Waiver of Claims” means a written release and waiver of claims by Executive in substantially the form attached hereto as Schedule B.

“Sarbanes-Oxley” means the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.

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<u>Schedule B</u>
<u>Release and Waiver of Claims</u>

THIS SEPARATION AGREEMENT AND RELEASE ("Separation Agreement") is entered into by and among Chicago Tube & Iron Company ("Chicago Tube & Iron"), Olympic Steel, Inc. (the "Company") and Dr. Donald R. McNeeley ("Employee").

1. <u>Termination of Employment</u>. Pursuant to this Separation Agreement, the effective date of Employee' s separation of employment will be [insert date]. The parties agree that Employee shall not report to work after [insert date]. Employee recognizes that he will be removed from Chicago Tube & Iron' s payroll and his employment relationship with Chicago Tube & Iron and the Company will be terminated for all purposes on this date.

2. <u>Severance Compensation</u>. In exchange for Employee' s commitments as outlined in this Separation Agreement and in Section 7 of the Employment Agreement, dated July 1, 2011, among Chicago Tube & Iron, the Company and Employee (the "Employment Agreement"), Chicago Tube & Iron agrees to pay the consideration set forth in Section of the Employment Agreement (less any applicable deductions (e.g., tax withholdings)) to Employee in accordance with the terms of the Employment Agreement. Employee expressly acknowledges that he is not otherwise entitled to the compensation referenced in this paragraph and that such compensation serves as adequate consideration for his commitments set forth in this Separation Agreement. Employee shall not accrue or be eligible for any salary, pay, benefits or consideration from Chicago Tube & Iron or the Company other than outlined herein.

3. <u>Release in Full of All Claims</u>. In exchange for the consideration set forth herein, including, without limitation, amounts received pursuant to those sections of the Employment Agreement identified in Section 2 of this Separation Agreement, Employee, for himself, his agents, attorneys, heirs, administrators, executors, assigns, and other representatives, and anyone acting or claiming on his or their joint or several behalf, hereby releases, waives, and forever discharges the Company, including its past or present employees, officers, directors, trustees, board members, stockholders, agents, affiliates (including, but not limited to Chicago Tube & Iron), parent corporation(s), subsidiaries, successors, assigns, and other representatives, and anyone acting on their joint or several behalf (the "Releasees"), from any and all known and unknown claims, causes of action, demands, damages, costs, expenses, liabilities, or other losses that in any way arise from, grow out of, or are related to Employee' s employment with Chicago Tube & Iron or any of its affiliates and subsidiaries or the termination thereof, excluding, however, (i) any claims arising under the Agreement and Plan of Merger, dated May 18, 2011, through which Chicago Tube & Iron became a wholly owned subsidiary of the Company and (ii) any claims for indemnification to which Employee is entitled in his or her capacity as a director or officer of the Company and/or Chicago Tube & Iron. By way of example only and without limiting the

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immediately preceding sentence, Employee agrees that he is releasing, waiving, and discharging any and all claims against the Company and its Releasees (a) under any federal, state, or local employment law or statute, including, but not limited to Title VII of the Civil Rights Act(s) of 1964 and 1991, the Americans with Disabilities Act, Age Discrimination in Employment Act (ADEA), Older Worker Benefit Protection Act (OWBPA), and all applicable state civil rights law(s), including but not limited to the Anti-Discrimination Laws of Illinois and Ohio, (b) under any federal, state or municipal law, statute, ordinance or common law doctrine regarding (i) the existence or breach of oral or written contracts of employment, (ii) negligent or intentional misrepresentations, (iii) promissory estoppel, (iv) interference with contract or employment, (v) defamation or damage to business or personal reputation, (vi) assault and battery, (vii) negligent or intentional infliction of emotional distress, (viii) unlawful discharge in violation of public policy, (ix) discrimination, (x) retaliation, (xi) wrongful discharge, (xii) harassment, (xiii) whistleblowing, or (xiv) breach of implied covenant of good faith, (c) with respect to the Non-Qualified Plan and Trust for Employees of Chicago Tube and Iron Company, or its successor, or (d) under the last Will of Gordon S. Nathans, dated August 9, 1945, of which the Non-Qualified Plan and Trust for Employees of Chicago Tube and Iron Company is a beneficiary. Nothing herein shall be construed to prohibit Employee from filing a charge with the Equal Employment Opportunity Commission or participating in investigations by that entity. However, Employee acknowledges that the release he executes herein waives his right to file a court action or to seek individual remedies in any such action. Employee further agrees that if any person, organization, or other entity should bring a claim against the Releasees involving any matter covered by this Separation Agreement, Employee will not accept any personal relief in any such action. Notwithstanding the foregoing, Employee will not give up his right to any benefits to which he is entitled under (w) any tax-qualified retirement plan or group life insurance plan of Chicago Tube & Iron or the Company, (x) Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended ("COBRA"), (y) the Non-Qualified Plan and Trust for Employees of Chicago Tube and Iron Company, or its successor, or (z) the last Will of Gordon S. Nathans, dated August 9, 1945, of which the Non-Qualified Plan and Trust for Employees of Chicago Tube and Iron Company is a beneficiary. Further, nothing herein shall constitute a release by Employee of any claim against any executor, administrator or other entity administering the will described in the foregoing clause (z).

4. <u>No Claims Filed</u>. Employee affirms that, as of the date of execution of this Separation Agreement, he has filed no lawsuit, charge, claim or complaint with any governmental agency or in any court against the Company or its Releasees.

5. <u>Nondisclosure of Terms</u>. Employee agrees that the existence, terms and conditions of this Separation Agreement, and any and all underlying

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communications and negotiations in connection with or leading to this Separation Agreement, are and shall remain confidential. Except as specifically set forth below, Employee shall not disclose the existence or terms of this Separation Agreement in whole or in part to any individual or entity without prior written consent of the Company.

Employee agrees that he will not disclose the existence or terms of this Separation Agreement to any person except (i) to members of Employee’ s immediate family and his professional advisors, who shall be advised of this confidentiality provision, (ii) to the extent required by a final and binding court order or other compulsory process, (iii) to any federal, state, or local taxing authority and (iv) as necessary, during the course of a legal action or otherwise, to enforce Employee’ s rights and remedies under this Separation Agreement or the Employment Agreement. Upon Employee’ s receipt of any order, subpoena or other compulsory process demanding production or disclosure of this Separation Agreement, Employee agrees that he will promptly notify the Company in writing of the requested disclosure, including the proposed date of the disclosure, the reason for the requested disclosure, and the identity of the individual or entity requesting the disclosure, at least ten (10) business days prior to the date that such disclosure is to be made or immediately upon receipt of the requested disclosure. Employee agrees not to oppose any action that the Company might take with respect to any such requested disclosure. Employee further agrees to instruct his counsel not to disclose to any person or entity, including potential or existing clients, the existence or terms of this Separation Agreement. If Employee breaches his promise of confidentiality contained in this paragraph, Employee agrees to pay the Company as liquidated damages immediately and upon demand, any and all amounts paid to Employee under this Separation Agreement. Employee agrees that this sum represents fair and reasonable liquidated damages, since the amount of actual damages to the Company in the event of such breach is uncertain.

6. **Future Cooperation**. Employee agrees that he will fully cooperate with the Company in effecting an orderly transition of his duties and in ensuring that the business of Chicago Tube & Iron and the Company is conducted in a professional, positive and competent manner. Employee agrees that he shall, without any additional compensation, respond to reasonable requests for information from the Company regarding matters that may arise in Chicago Tube & Iron’ s or the Company’ s business. Employee further agrees to fully and completely cooperate with Chicago Tube & Iron and the Company, their advisors and their legal counsel with respect to any litigation that is pending against Chicago Tube & Iron or the Company and any claim or action that may be filed against Chicago Tube & Iron or the Company in the future. Such cooperation shall include making himself available at reasonable times and places for interviews, reviewing documents, testifying in a deposition or a legal or administrative proceeding, and providing advice to Chicago Tube & Iron or the Company in preparing defenses to any pending or potential future claims against Chicago Tube & Iron or the Company. Chicago Tube & Iron and the Company agree to pay/reimburse Employee for any approved travel expenses incurred as a result of his cooperation with the Company or Chicago Tube & Iron, as applicable.

7. **Assistance to Others.** Employee agrees not to assist or cooperate, in any way, directly or indirectly, with any person, entity or group (other than the Equal Employment Opportunity Commission (EEOC) or other governmental agency) involved in any proceeding, inquiry or investigation of any kind or nature against or involving the Company or any of its Releasees, except as required by law, subpoena or other compulsory process.

Moreover, Employee agrees that to the extent he is compelled to cooperate with such third parties, he shall disclose to the Company in advance that he intends to cooperate and shall disclose the manner in which he intends to cooperate. Further, Employee agrees that within three (3) days after such

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cooperation, he will meet with representatives of the Company and disclose the information that he provided to the third party. This subparagraph is to be broadly construed and is to include conversations, informal comments, confirmations, suggestions or advice of any type to third parties, their counsel or their advisors. Further, if Employee is legally required to appear or participate in any proceeding that involves or is brought against the Company or its Releasees, Employee agrees to disclose to the Company in advance what he plans to say or produce and otherwise cooperate fully with the Company or its Releasees.

8. **Arbitration and Damages in Case of Breach**. Any and all disputes arising out of or in any way relating to this Separation Agreement shall be submitted to binding arbitration before a panel mutually agreed to by the parties and conducted in accordance with the Rules of the American Arbitration Association.

If Employee, the Company or Chicago Tube & Iron, as applicable, fails to cure a breach of this Separation Agreement within ten (10) days following written notice from any other party to this Separation Agreement specifying in reasonable detail the facts and circumstances of such breach, such breach shall entitle such other party to recover (a) any and all amounts paid pursuant to this Separation Agreement, plus (b) any actual damages that Chicago Tube & Iron, the Company or Employee can establish resulted or will result from such breach, upon a showing to a binding arbitration panel mutually agreed to by the parties and conducted in accordance with the Rules of the American Arbitration Association. The costs of any such proceeding, including reasonable attorneys' fees, shall be paid by the non-prevailing party. This paragraph shall not apply to any claim filed by Employee with the EEOC, including an action concerning the enforceability of this Separation Agreement.

9. **No Admission of Wrongful Conduct**. Employee hereby acknowledges and agrees that, by Chicago Tube & Iron or the Company providing the consideration described above and entering into this Separation Agreement, Chicago Tube & Iron and the Company, including their past or present employees, officers, directors, trustees, board members, stockholders, agents, affiliates, subsidiaries, parent corporations, successors, assigns, or other representatives, are not admitting any unlawful or otherwise wrongful conduct or liability to Employee or his heirs, executors, administrators, assigns, agents, or other representatives.

Employee, Chicago Tube & Iron and the Company further understand and agree that this Separation Agreement shall not be admissible as evidence in any court or administrative proceeding, except that either party may submit this Separation Agreement to any appropriate forum in the event of an alleged breach of this Separation Agreement or a claim by either party concerning the enforceability or interpretation of this Separation Agreement.

10. ADEA/OWBPA Waiver & Acknowledgment. Insofar as this Separation Agreement pertains to the release of Employee's claims, if any, under the Age Discrimination in Employment Act, Employee, pursuant to and in compliance with the rights afforded him under the Older Worker Benefit Protection Act: (a) is hereby advised to consult with an attorney before executing this Separation Agreement; (b) is hereby afforded twenty-one (21) days to consider this Separation Agreement; (c) may rescind this Separation Agreement any time within the seven (7) day period following his execution of the Separation Agreement; (d) is hereby advised that this Separation Agreement shall not become effective or enforceable until the seven (7) day revocation period has expired; and (e) is hereby advised that he is not waiving claims that may arise after the date on which he executes the Separation Agreement. If this Separation Agreement is revoked within the revocation period, Chicago Tube & Iron and the Company

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shall have no obligation under this Agreement. If this Separation Agreement is not revoked within the revocation period, this Agreement will be effective immediately after the expiration of the revocation period.

11. Reemployment or Future Association. Employee hereby agrees that he shall not seek reinstatement or apply for future employment with Chicago Tube & Iron or the Company or any of their affiliates and subsidiaries; and should Employee apply for reinstatement or re-employment in violation of this paragraph, Chicago Tube & Iron, the Company and their affiliates and subsidiaries shall not incur any liability by virtue of its or their refusal to hire him or consider him for employment.

12. Governing Law. This Separation Agreement shall in all respects be interpreted, construed and governed by and in accordance with the internal substantive laws of the State of Illinois.

13. Severability. Should any provision of this Separation Agreement be declared or be determined by any court to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby, and said illegal or invalid part, term or provision shall be deemed not to be part of this Separation Agreement. The waiver of a breach of any of the provisions of this Separation Agreement shall not operate or be construed as a waiver of any other provision of this Separation Agreement or a waiver of any subsequent breach of the same provision.

14. Voluntary Execution. Employee acknowledges that he is executing this Separation Agreement voluntarily and of his own free will and that he fully understands and intends to be bound by the terms of this Separation Agreement. Further, Employee acknowledges that he has had an opportunity to carefully review this Separation Agreement with his attorney prior to executing it or warrants that he chooses not to have his attorney review this Separation Agreement.

15. No Assignment of Claims. Employee hereby represents and warrants that he has not previously assigned or purported to assign or transfer to any person or entity any of the claims or causes of action herein released.

16. Entire Agreement. This Separation Agreement, together with the Employment Agreement, constitute the entire agreement among Chicago Tube & Iron, the Company and Employee with respect to the subject matter of this Separation Agreement, and there are no other written or oral agreements, understandings or arrangements except as set forth herein. Any amendments, additions or other modifications to this Separation Agreement must be done in writing, signed by both parties, and subject to approval by the Board of Directors of the Company in order to be binding.

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17. Successors and Assigns. This Separation Agreement shall bind and inure to the benefit of and be enforceable by Employee, Chicago Tube & Iron, the Company and their respective heirs, executors, personal representatives, successors and assigns, except that no party may assign any rights or delegate any obligations hereunder without the prior written consent of the other parties. Employee hereby consents to the assignment by the Company or Chicago Tube & Iron of all of their rights and obligations hereunder to any successor to the Company or Chicago Tube & Iron, as applicable, by merger or consolidation or purchase of all or substantially all of the assets of the Company or Chicago Tube & Iron, as applicable, provided such transferee or successor assumes the liabilities of the Company or Chicago Tube & Iron, as applicable, hereunder.

[SIGNATURES ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, the parties hereby certify that they have read this Separation Agreement in its entirety and voluntarily executed it in the presence of competent witnesses, as of the date set forth under their respective signatures.

DR. DONALD R. MCNEELEY

____

____
Date

____
Witness

____
Date

CHICAGO TUBE & IRON COMPANY

By: ______________________________
Name: Richard Marabito
Title: Treasurer

____
Date

____
Witness

____
Date

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OLYMPIC STEEL, INC.

By: ______________________________

Name: Richard Marabito

Title: Chief Financial Officer and Treasurer

____

Date

____

Witness

____

Date

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Exhibit 31.1

Certification of the Principal Executive Officer

Pursuant to 15 U.S.C. 78m(a) or 78o(d)

(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Michael D. Siegal, certify that:

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

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committee of the registrant' s board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

By: /s/ Michael D. Siegal

Michael D. Siegal
Olympic Steel, Inc.
Chairman and Chief Executive Officer
November 7, 2011

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Exhibit 31.2

Certification of the Principal Financial Officer

Pursuant to 15 U.S.C. 78m(a) or 78o(d)

(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Richard T. Marabito, certify that:

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

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committee of the registrant’ s board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’ s ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’ s internal control over financial reporting.

By: /s/ Richard T. Marabito

Richard T. Marabito
Olympic Steel, Inc.
Chief Financial Officer and Treasurer
November 7, 2011

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Exhibit 32.1

Certification of the Principal Executive Officer

Pursuant to 18 U.S.C. 1350

(Section 906 of the Sarbanes-Oxley Act of 2002)

I, Michael D. Siegal, the Chairman & Chief Executive Officer of Olympic Steel, Inc. (the "Company"), certify that to the best of my knowledge, based upon a review of this report on Form 10-Q for the period ended September 30, 2011 of the Company (the "Report"):

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of the dates and for the periods expressed in this Report.

By: /s/ Michael D. Siegal

Michael D. Siegal
Olympic Steel, Inc.
Chairman & Chief Executive Officer
November 7, 2011

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Exhibit 32.2

Certification of the Principal Financial Officer

Pursuant to 18 U.S.C. 1350

(Section 906 of the Sarbanes-Oxley Act of 2002)

I, Richard T. Marabito, the Chief Financial Officer and Treasurer of Olympic Steel, Inc. (the "Company"), certify that to the best of my knowledge, based upon a review of this report on Form 10-Q for the period ended September 30, 2011 of the Company (the "Report"):

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in this Report.

By: /s/ Richard T. Marabito

Richard T. Marabito
Olympic Steel, Inc.
Chief Financial Officer and Treasurer
November 7, 2011

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Consolidated Statement of Operations (Unaudited) (USD $) In Thousands, except Per Share data	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Consolidated Statement of Operations [Abstract]				
Net sales	$ 348,547	$ 209,185	$ 941,928	$ 589,842
Costs and expenses				
Cost of materials sold (excludes items shown separately below)	281,058	171,730	750,638	473,676
Warehouse and processing	19,471	13,436	51,432	37,057
Administrative and general	16,461	9,388	43,339	28,600
Distribution	8,080	5,176	20,427	14,312
Selling	7,209	6,164	18,140	14,845
Occupancy	2,297	1,297	5,790	3,940
Depreciation	4,434	3,270	11,413	9,775
Amortization	222		222	
Total costs and expenses	339,232	210,461	901,401	582,205
Operating income (loss)	9,315	(1,276)	40,527	7,637
Other (income) and expense, net	91		91	
Income (loss) before interest and income taxes	9,224	(1,276)	40,436	7,637
Interest and other expense on debt	2,237	602	3,868	1,629
Income (loss) before income taxes	6,987	(1,878)	36,568	6,008
Income tax provision (benefit)	851	(641)	12,163	2,280
Net income (loss)	$ 6,136	$ (1,237)	$ 24,405	$ 3,728
Earnings per share:				
Net income (loss) per share - basic	$ 0.56	$ (0.11)	$ 2.23	$ 0.34
Weighted average shares outstanding - basic	10,937	10,909	10,936	10,903
Net income (loss) per share - diluted	$ 0.56	$ (0.11)	$ 2.23	$ 0.34
Weighted average shares outstanding - diluted	10,951	10,909	10,949	10,916

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Consolidated Statement of Cash Flows (Unaudited) (USD $) In Thousands	9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010
Cash flows from (used for) operating activities:		
Net income	$ 24,405	$ 3,728
Adjustments to reconcile net income to net cash from operating activities -		
Depreciation and amortization	12,050	10,264
Assets held for sale	(4)	
Loss on disposition of property and equipment	69	25
Stock-based compensation	647	485
Other long-term assets	1,220	(935)
Other long-term liabilities	3,487	(4,774)
Long-term deferred income taxes	1,912	527
Total adjustments to reconcile net income to net cash from operating activities -	43,786	9,320
Changes in working capital:		
Accounts receivable	(49,350)	(44,944)
Inventories	(40,731)	(69,685)
Income taxes receivable and deferred	8,750	38,178
Prepaid expenses and other	(5,861)	(527)
Accounts payable	34,379	23,440
Change in outstanding checks	9,479	647
Accrued payroll and other accrued liabilities	(10,240)	3,263
Total changes in working capital	(53,574)	(49,628)
Net cash used for operating activities	(9,788)	(40,308)
Cash flows from (used for) investing activities:		
Acquisition of Chicago Tube and Iron, net of cash acquired	(148,759)	
Capital expenditures	(24,618)	(10,733)
Proceeds from disposition of property and equipment	24	19
Proceeds from assets held for sale	675	
Net cash used for investing activities	(172,678)	(10,714)
Cash flows from (used for) financing activities:		
Credit facility revolver borrowings, net	119,225	50,050
Principal payments under capital lease obligations	(39)	
Term loan borrowings	70,000	
Term loan repayments	(2,188)	
Credit facility fees and expenses	(4,193)	(1,618)
Proceeds from exercise of stock options (including tax benefits) and employee stock purchases	34	68
Dividends paid	(654)	(653)
Net cash from financing activities	182,185	47,847
Cash and cash equivalents:		
Net change	(281)	(3,175)
Beginning balance	1,492	5,190

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Ending balance	1,211	2,015
Cash paid during the period		
Interest paid	3,089	1,095
Income taxes paid (refunded)	8,852	(36,400)
Details of acquisition		
Fair value of CTI assets acquired	215,817	
Fair value of CTI liabilities acquired	55,961	
Cash paid	159,856	
Less: Cash acquired	11,097	
Net cash paid for CTI acquisition	$ 148,759	

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Shares Outstanding and Earnings Per Share	9 Months Ended Sep. 30, 2011
Shares Outstanding and Earnings Per Share [Abstract]	
Shares Outstanding and Earnings Per Share	**(18)Shares Outstanding and Earnings Per Share:** Earnings per share have been calculated based on the weighted average number of shares outstanding as set forth below:

(in thousands, except per share data)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Weighted average basic shares outstanding	10,937	10,909	10,936	10,903
Assumed exercise of stock options and issuance of stock awards	14	—	13	13
Weighted average diluted shares outstanding	10,951	10,909	10,949	10,916
Net income (loss)	$6,136	$(1,237)	$24,405	$3,728
Basic earnings (loss) per share	$0.56	$(0.11)	$2.23	$0.34
Diluted earnings (loss) per share	$0.56	$(0.11)	$2.23	$0.34
Anti-dilutive securities outstanding	118	140	118	138

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Document and Entity Information (USD $)	9 Months Ended Sep. 30, 2011	Nov. 04, 2011	Jun. 30, 2010
Document and Entity Information [Abstract]			
Entity Registrant Name	OLYMPIC STEEL INC		
Entity Central Index Key	0000917470		
Document Type	10-Q		
Document Period End Date	Sep. 30, 2011		
Amendment Flag	false		
Document Fiscal Year Focus	2011		
Document Fiscal Period Focus	Q3		
Current Fiscal Year End Date	--12-31		
Entity Well-known Seasoned Issuer	No		
Entity Voluntary Filers	No		
Entity Current Reporting Status	Yes		
Entity Filer Category	Accelerated Filer		
Entity Public Float			$ 209,997,781
Entity Common Stock, Shares Outstanding		10,905,115	

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Goodwill and Intangible Assets	9 Months Ended Sep. 30, 2011
Goodwill and Intangible Assets [Abstract]	
Goodwill and Intangible Assets:	

(7) Goodwill and Intangible Assets:

The changes in the carrying amount of goodwill, by reportable segment, are as follows:

(in thousands)	Flat products	Tubular and pipe products	Total
Balance as of December 31, 2010	$ 7,083	$ —	$7,083
CTI acquisition	—	38,973	38,973
Balance as of September 30, 2011	$ 7,083	$ 38,973	$46,056

Intangible Assets, net

Intangible assets, net, consisted of the following as of September 30, 2011:

(in thousands)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Customer relationships - subject to amortization	$ 13,332	$ (222)	$ 13,110
Trade name - not subject to amortization	23,425	—	23,425
	$ 36,757	$ (222)	$ 36,535

The Company had no intangible assets during the year ended December 31, 2010. All of the Company’s intangible assets were recorded in connection with its July 1, 2011 acquisition of CTI (See Note 2). The intangible assets noted above were evaluated on the premise of highest and best use to a market participant, primarily utilizing the income approach valuation methodology. The useful life of the CTI trade name was determined to be indefinite primarily due to its history and reputation in the marketplace, the Company’s expectation that the CTI trade name will continue to be used throughout the life of CTI, and the conclusion that there are currently no other factors identified that would limit its useful life. The useful life of the CTI customer relationships was determined to be fifteen years, based primarily on the consistent and predictable revenue source associated with existing CTI customer base, the net positive present value of which extends through the fifteen year amortization period. The Company will continue to evaluate the useful life assigned to our amortizable customer relationships in future periods.

The Company estimates that amortization expense for its intangible assets subject to amortization will be $444 thousand for the year ended December 31, 2011 and $889 thousand per year in each of the next five years.

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Recently Issued Accounting Updates	9 Months Ended Sep. 30, 2011
Recently Issued Accounting Updates [Abstract]	
Recently Issued Accounting Updates	**(20)Recently Issued Accounting Updates:** There were no new significant accounting updates or guidance that became effective for the Company commencing with its third quarter of 2011. The following recently issued, but not yet effective, accounting standards are expected to have an impact on the Company's financial statements: In September 2011, an accounting update was issued that amends current guidance related to multiemployer pension plan disclosures by increasing the quantitative and qualitative disclosures an employer is required to provide about its participation in multiemployer pension plans. The new disclosure requirements are effective for public companies for fiscal years ending after December 15, 2011, with early adoption permitted and retrospective application to prior periods required. The Company intends to adopt these new disclosure requirements in its Form 10-K for the year ending December 31, 2011. In September 2011, amended accounting guidance was issued intended to simplify how an entity tests for goodwill impairment. The amended guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The two-step quantitative impairment test is required if, based on its qualitative assessment, an entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amended guidance is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company will consider the provision of this amended guidance in its fiscal 2011 goodwill impairment tests, and does not expect the adoption of this amended guidance to have a material impact on its financial position or results of operations. In June 2011, new accounting guidance was issued regarding the presentation of comprehensive income in financial statements prepared in accordance with U.S. GAAP. This new guidance requires entities to present reclassification adjustments included in other comprehensive income on the face of the financial statements and allows entities to present total comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. It also eliminates the option for entities to present the components of other comprehensive income as part of the statement of equity. For public companies, this accounting guidance is effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2011, with early adoption permitted. Retrospective application to prior periods is required. The adoption of this new guidance, effective for us on January 1, 2012, is not expected to have a material impact on the Company's financial position or results of operations.

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Stock Options	9 Months Ended Sep. 30, 2011
Stock Options and Restricted Stock Units and Performance Share Units [Abstract]	
Stock Options	**(12)Stock Options:** In January 1994, the Olympic Steel, Inc. Stock Option Plan (Option Plan) was adopted by the Board of Directors and approved by the shareholders of the Company. The Option Plan terminated on January 5, 2009. Termination of the Option Plan did not affect outstanding options. A total of 1,300,000 shares of common stock were originally reserved for issuance under the Option Plan. To the extent possible, shares of treasury stock were used to satisfy shares resulting from the exercise of stock options. Options vested over periods ranging from six months to five years and all expire ten years after the grant date. The following table summarizes the effect of the impact of stock options on the results of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
(in thousands, except per share data)				
Stock option expense before taxes	$ —	$ —	$ —	$ 60
Stock option expense after taxes	$ —	$ —	$ —	$ 38
Impact per basic share	$ —	$ —	$ —	$ —
Impace per diluted share	$ —	$ —	$ —	$ —

All pre-tax charges related to stock options were included in the caption "Administrative and general" on the accompanying Consolidated Statement of Operations.

The following table summarizes stock option activity during the nine months ended September 30, 2011:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2010	46,007	$ 20.90		
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Outstanding at September 30, 2011	46,007	$ 20.90	3.9 years	$ 181

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Exercisable at September 30, 2011	46,007	$ 20.90	3.9 years	$ 181

There were no stock options exercised during nine months ended September 30, 2011 and 2010. All options vested by June 30, 2010. The fair value of options vested during the nine months ended September 30, 2010 totaled $60 thousand.

By December 31, 2010, all expense with respect to stock option awards had been recognized and amortized into expense.

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Accounts Receivable	9 Months Ended Sep. 30, 2011
Accounts Receivable [Abstract]	
Accounts Receivable	**(3) Accounts Receivable:** The Company maintained allowances for doubtful accounts and unissued credits of $3.7 million and $2.9 million at September 30, 2011 and December 31, 2010, respectively. The allowance for doubtful accounts is maintained at a level considered appropriate based on historical experience and specific customer collection issues that have been identified. Estimations are based upon a calculated percentage of accounts receivable, which remains fairly level from year to year, and judgments about the probable effects of economic conditions on certain customers, which can fluctuate significantly from year to year. The Company cannot guarantee that the rate of future credit losses will be similar to past experience. The Company considers all available information when assessing the adequacy of its allowance for doubtful accounts each quarter.

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Debt	9 Months Ended Sep. 30, 2011

Debt [Abstract]

Debt

(9) Debt:

The Company's debt is comprised of the following components:

(in thousands)	Total
Asset-based revolving credit facility due June 30, 2016	$174,460
Term loan due June 30, 2016	67,812
Industrial revenue bond due April 1, 2018	5,880
Capital lease	1,603
Total debt	249,755
Less current amount	(9,661)
Total long-term debt	$240,094

The Company's principal payments over the next 5 years and thereafter are detailed in the table below:

(in thousands)	2011	2012	2013	2014	2015	2016	Thereafter
Revolver	$—	$—	$—	$—	$—	$174,460	$ —
Term loan	2,188	8,750	8,750	8,750	8,750	30,624	—
Industrial revenue bond	—	755	785	810	840	865	1,825
Other	38	158	1,407	—	—	—	—
Total principal payments	$2,226	$9,663	$10,942	$9,560	$9,590	$205,949	$ 1,825

On July 1, 2011 the Company amended its existing asset-based revolving credit facility. The new asset-based credit facility (the ABL Credit Facility) provides for borrowings up to $335 million consisting of a revolving credit line of $265 million and a $70 million term-loan. Revolver borrowings are limited to the lesser of a borrowing base, comprised of eligible receivables and inventories, or $265 million in the aggregate. The ABL Credit Facility matures on July 1, 2016.

The ABL Credit Facility requires the Company to comply with various covenants, the most significant of which include: (i) until maturity of the ABL Credit Facility, if any commitments or obligations are outstanding and the Company's availability is less than the greater of $20 million, 12.5% of the aggregate amount of revolver commitments, or 60% of the principal balance of the term loan then outstanding, then the Company must maintain a ratio of EBITDA minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.10 to 1.00 for the most recent twelve fiscal month period; (ii) limitations on dividend payments; (iii) restrictions on additional indebtedness; and (iv) limitations on investments and joint ventures. The Company has the option to borrow under its revolver based on the agent's base rate plus a premium ranging from 0.50% to 1.00% or the London Interbank Offered Rate (LIBOR) plus a premium ranging from 2.00% to 2.50%. The interest rate under the term loan is based on the agent's base rate plus a premium ranging from 1.00% to 1.50% or LIBOR plus a premium ranging from 2.50% to 3.00%.

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As of September 30, 2011, $5.1 million of bank financing fees were included in "Prepaid expenses and other" and "Other long-term assets" on the accompanying Consolidated Balance Sheet. The financing fees are being amortized over the five-year term of the credit facility.

As of September 30, 2011, the Company was in compliance with its covenants and had approximately $83 million of availability under the ABL Credit Facility.

As part of the CTI acquisition, the Company assumed approximately $5.9 million of Industrial Revenue Bond indebtedness issued through the Stanly County, North Carolina Industrial Revenue and Pollution Control Authority (IRB). The bond matures in April 2018, with the option to provide principal payments annually, April 1st. Interest is payable monthly, with a variable rate that resets weekly. As a security for payment of the bonds, the Company obtained a direct pay letter of credit issued by JPMorgan Chase Bank, N.A. The letter of credit reduces annually by the principal reduction amount. The interest rate at September 30, 2011 was 0.2% for the IRB debt.

The Company entered into an interest rate swap agreement to reduce the impact of changes in interest rates on the above IRB. At September 30, 2011, the effect of the swap agreement on the bond was to fix the rate at 3.46 percent. The swap agreement matures April 2018, but is reduced annually by the amount of the optional principal payments on the bond. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparties.

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Multiemployer Pension Plan	9 Months Ended Sep. 30, 2011
Multiemployer Pension Plan [Abstract]	
Multiemployer Pension Plan	**(14)Multiemployer Pension Plan:** The Company, through its CTI business, contributes to one multiemployer pension plan – the Plumbing and Heating Wholesalers Retirement Income Plan for the Benefit of the Shopmen's Division of Pipe Fitters' Association Local Union 597, EIN 36-6511016, Plan Number 001. Expense for this plan was approximately $26 thousand for the three months ended September 30, 2011.

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Fair Value of Financial Instruments	9 Months Ended Sep. 30, 2011
Fair Value of Financial Instruments [Abstract]	
Fair Value of Financial Instruments	**(10)Fair Value of Financial Instruments:** The Company’s financial instruments include cash and cash equivalents, short-term trade receivables, derivative instruments, accounts payable and debt instruments. For short-term instruments, other than those required to be reported at fair value on a recurring basis and for which additional disclosures are included below, management concluded the historical carrying value is a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price concept that assumes an orderly transaction between willing market participants. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs. To measure fair value, the Company applies a fair value hierarchy that is based on three levels of input, of which the first two are considered observable and the last unobservable, as follows: *Level 1* – Quoted prices in active markets for identical assets and liabilities. *Level 2* – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices that are not active; or other inputs that are observable or can be corroborated by observable market date for substantially the full term of the assets or liabilities. *Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. During the three and nine months ended September 30, 2011, there were no transfers of financial assets between Levels 1, 2 or 3 fair value measurements. There have been no changes in the methodologies used at September 30, 2011 and December 31, 2010. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value as of September 30, 2011 and December 31, 2010: *Nickel swaps and embedded customer derivatives* – Determined by using inputs that include the price of nickel indexed to the London Metal Exchange (LME). The fair value is determined based on quoted market prices and reflects the estimated amounts the Company would pay or receive to terminate the nickel swaps. *Interest rate swap* – Based on the present value of the expected future cash flows, considering the risks involved, and using discount rates appropriate for the maturity date. Market observable Level 2 inputs are used to determine the present value of future cash flows. The following table presents information about the Company’s assets and liabilities that were measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Company:

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(in thousands)

September 30, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Embedded customer derivatives	$—	$988	$—	$988
Liabilities:				
Nickel swaps	—	925	—	925
Interest rate swap	—	504	—	504
Total liabilities at fair value	$—	$1,429	$—	$1,429

December 31, 2010	Level 1	Level 2	Level 3	Total
Assets:				
Embedded customer derivatives	$—	$123	$—	$123
Liabilities:				
Nickel swaps	$—	$127	$—	$127

Long-Term Financial Instruments

The carrying value and the fair value of the IRB that qualify as financial instruments are both $5.1 million at September 30, 2011. As the revolver and long-term debt were recently refinanced, management continues to believe that the amounts are carried at fair value.

The Company did not have any non-current financial liabilities at December 31, 2010.

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Investments in Joint Ventures	9 Months Ended Sep. 30, 2011
Investments in Joint Ventures [Abstract]	
Investments in Joint Ventures	**(8) Investments in Joint Ventures:** The Company and the United States Steel Corporation each own 50% of Olympic Laser Processing (OLP), a company that produced laser welded sheet steel blanks for the automotive industry. OLP ceased operations in 2006. In December 2006, the Company advanced $3.2 million to OLP to cover a loan guarantee. As of September 30, 2011, the investment in and advance to OLP was valued at $2.5 million on the Company's Consolidated Balance Sheet.

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Basis of Presentation	9 Months Ended Sep. 30, 2011
Basis of Presentation [Abstract]	
Basis of Presentation	**(1) Basis of Presentation:** The accompanying consolidated financial statements have been prepared from the financial records of Olympic Steel, Inc. and its wholly-owned subsidiaries (collectively, Olympic or the Company), without audit and reflect all normal and recurring adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods covered by this report. Year-to-date results are not necessarily indicative of 2011 annual results and these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2010. All significant intercompany transactions and balances have been eliminated in consolidation. Commencing with the July 1, 2011 acquisition of Chicago Tube and Iron Company (CTI), the Company operates in two reportable segments; flat products and tubular and pipe products. Through its flat products segment, the Company sells and distributes large volumes of processed carbon, coated, aluminum and stainless flat-rolled sheet, coil and plate products. Through its tubular and pipe products segment, the Company distributes metal tubing, pipe, bar, valve and fittings and the fabrication of pressure parts supplied to various industrial markets.

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Inventories	9 Months Ended Sep. 30, 2011
Inventories [Abstract]	
Inventories	

(4) Inventories:

Inventories are stated at the lower of cost or market and include the costs of purchased metal, inbound freight, external processing and applicable labor and overhead costs. Cost for the Company's flat products segment (metal flat-rolled sheet, coil and plate products) is determined using the specific identification method.

As a result of the acquisition of CTI, certain of the Company's tubular and pipe products inventory is stated under the last-in, first-out (LIFO) method, which is not in excess of market. At September 30, 2011, approximately $38.6 million, or 13.1% of consolidated inventory, was reported under the LIFO method of accounting. The cost of the remainder of CTI's inventory is determined using a weighted average rolling first-in, first-out (FIFO) method.

An actual valuation of the inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs. Because estimates are subject to many factors beyond management's control, annual results may differ from interim results. Interim LIFO estimates are subject to a final year-end LIFO inventory valuation. The Company did not record a LIFO adjustment in its third quarter of 2011 because its full-year LIFO estimate anticipates prices and quantities to be below July 1, 2011 levels. As a result, there was no LIFO reserve at September 30, 2011.

Metal inventories consist of the following:

(in thousands)	September 30, 2011	December 31, 2010
Unprocessed	$ 225,993	$ 143,410
Processed and finished	67,592	57,196
Totals	$ 293,585	$ 200,606

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Assets Held for Sale	9 Months Ended Sep. 30, 2011
Assets Held for Sale [Abstract]	
Assets Held for Sale	**(5) Assets Held for Sale:** The Company acquired certain assets as part of its acquisition of CTI that have been classified as "Assets held for sale" on the Consolidated Balance Sheet as of September 30, 2011. The assets held for sale are comprised of certain land and a building that were used in CTI's Milwaukee, Wisconsin operation. The assets held for sale are reported at their fair market value less costs to sell, and depreciation has ceased. Subsequent to the quarter ended September 30, 2011, the Milwaukee, Wisconsin property was sold for $1.3 million. In July 2011, the Company sold its Oakboro, North Carolina held for sale operation for a net purchase price of $675 thousand, and no gain or loss was recorded in connection with this transaction.

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Restricted Stock Units and Performance Share Units	9 Months Ended Sep. 30, 2011
Stock Options and Restricted Stock Units and Performance Share Units [Abstract]	
Restricted Stock Units and Performance Share Units	(see below)

(13)Restricted Stock Units and Performance Share Units:

The Olympic Steel 2007 Omnibus Incentive Plan (the Plan) was approved by the Company's shareholders in 2007. The Plan authorizes the Company to grant stock options, stock appreciation rights, restricted shares, restricted share units, performance shares, and other stock- and cash-based awards to employees and Directors of, and consultants to, the Company and its affiliates. Under the Plan, 500,000 shares of common stock are available for equity grants.

On each of January 2, 2008, January 2, 2009, January 4, 2010 and March 1, 2011, the Compensation Committee of the Company's Board of Directors approved the grant of 1,800 restricted stock units (RSUs) to each non-employee Director. Subject to the terms of the Plan and the RSU agreement, the RSUs vest after one year of service (from the date of grant). The RSUs are not converted into shares of common stock until the director either resigns or is terminated from the Board of Directors.

On January 4, 2010, the Compensation Committee of the Company's Board of Directors approved the grant of 23,202 RSUs in the aggregate to the members of senior management of the Company. Subject to the terms of the Plan and the RSU agreement, the RSUs vest at the end of three years from the date of grant.

The Compensation Committee of the Company's Board of Directors also granted 34,379 and 54,024 performance-earned restricted stock units (PERSUs) in the aggregate to the members of senior management of the Company on January 2, 2008 and January 2, 2009, respectively. The PERSUs may be earned based on the Company's performance for a period of 36 months from the date of grant, and would be converted to shares of common stock based on the achievement of two separate financial measures: (1) the Company's EBITDA (50% weighted) and (2) return on invested capital (50% weighted). No shares will be earned unless the threshold amounts for the performance measures are met. Up to 150% of the targeted amount of PERSUs may be earned. On December 31, 2010, the 33,681 PERSU's outstanding granted on January 2, 2008 lapsed based on failure to meet the minimum performance requirements.

The fair value of each RSU and PERSU was estimated to be the closing price of the Company's common stock on the date of the grant, which was $26.91, $33.85, $21.68 and $32.20 for the grants on March 1, 2011, January 4, 2010, January 2, 2009 and January 2, 2008, respectively.

Stock-based compensation expense recognized on RSUs and PERSUs for the three and nine months ended September 30, 2011 and 2010, respectively, is summarized in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
(in thousands, except per share data)				
RSU expense before taxes	$ 135	$ 142	$ 351	$ 425

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RSU expense after taxes	$ 118	$ 86	$ 234	$ 264
Impact per basic share	$ 0.01	$ 0.01	$ 0.02	$ 0.02
Impact per diluted share	$ 0.01	$ 0.01	$ 0.02	$ 0.02

All pre-tax charges related to RSUs and PERSUs were included in the caption "Administrative and general" on the accompanying Consolidated Statement of Operations.

The following table summarizes the activity related to RSUs for the nine months ended September 30, 2011:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2010	46,602	$ 33.41	
Granted	18,825	26.91	
Converted into shares	—	—	
Forfeited	(1,235)	33.85	
Outstanding at September 30, 2011	64,192	$ 32.15	—
Vested at September 30, 2011	31,959	$ 31.08	—

No RSUs were converted into shares during the nine months ended September 30, 2011. 7,200 RSUs were converted into shares during the nine months ended September 30, 2010.

The following table summarizes the activity related to PERSUs for the nine months ended September 30, 2011:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2010	52,987	$ 21.68	
Granted	—	—	
Converted into shares	—	—	
Lapsed based on performance criteria	—	—	
Forfeited	(2,178)	21.68	
Outstanding at September 30, 2011	50,809	$ 21.68	—
Vested at September 30, 2011	—	$ —	—

Since inception of the PERSU program, no PERSUs have been converted into shares. There was no expense included on the accompanying Consolidated Statement of Operations for the three or nine months ended September 30, 2011 or 2010 related to the PERSUs as the minimum performance requirements for the PERSUs are not expected to be met.

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Property and Equipment	**9 Months Ended Sep. 30, 2011**

Property and Equipment [Abstract]

Property and Equipment

(6) Property and Equipment:

Property and equipment consists of the following:

(in thousands)	Depreciable Lives	September 30, 2011	December 31, 2010
Land	—	$16,193	$11,937
Land improvements	10	1,573	1,453
Buildings and improvements	7-30	108,669	76,058
Machinery and equipment	5-15	134,741	111,339
Furniture and fixtures	7	6,066	6,142
Computer software and equipment	5	21,189	21,005
Vehicles	5	1,201	34
Construction in progress	—	24,656	11,532
		314,288	239,500
Less accumulated depreciation		(131,520)	(121,266)
Net property and equipment		$182,768	$118,234

Leasehold improvements are included with buildings and improvements and are depreciated over the life of the lease or seven years, whichever is less.

Construction in progress, as of September 30, 2011, primarily consisted of payments for a new temper mill facility and equipment in Gary, Indiana, additional processing equipment at our existing facilities, costs related to the implementation of our new computer systems, and construction costs related to the suspended project in Sumter, South Carolina.

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Comprehensive Income (Loss)	9 Months Ended Sep. 30, 2011
Comprehensive Income (Loss) [Abstract]	
Comprehensive Income (Loss)	**(16)Comprehensive Income (Loss):** The Company's Monterrey, Mexico facility commenced operations in the third quarter of 2011, and its foreign currency transactions impacted the Company's comprehensive income (loss) in 2011 as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
(in thousands)				
Net income (loss)	$6,136	$(1,237)	$24,405	$3,728
Foreign currency translation loss	(11)	—	(11)	—
Comprehensive income (loss)	$6,125	$(1,237)	$24,394	$3,728

Foreign currency translation adjustments are not ordinarily adjusted for income taxes as they relate to indefinite investments in foreign subsidiaries.

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Consolidated Statement of Cash Flows (Unaudited) (Parenthetical) (USD $) In Millions	9 Months Ended Sep. 30, 2011
Consolidated Statement of Cash Flows [Abstract]	
Capital lease obligations under warehouse lease	$ 1.6

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Income Taxes	9 Months Ended Sep. 30, 2011
Income Taxes [Abstract]	
Income Taxes	**(17)Income Taxes:** The Company’s effective tax rates for the nine months ended September 30, 2011 and 2010 were 33.3% and 37.9%, respectively. The Company’s effective tax rates for the three months ended September 30, 2011 and 2010 were 12.2% and 34.1%, respectively. The fluctuations in the Company’s effective tax rates are mainly because of changes in unrecognized tax benefits. The total amount of unrecognized tax benefits as of September 30, 2011 was $83 thousand (including $8 thousand of accrued interest and penalties), the recognition of which would affect the annual effective tax rate. The change in the Company’s unrecognized tax benefits from the December 31, 2010 balance of $2.0 million is due primarily to a lapsing of the statute of limitations.

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Segment Information

[Segment Information [Abstract]](#)

[Segment Information](#)

	9 Months Ended Sep. 30, 2011

(19)Segment Information:

The Company evaluated its reportable segments in connection with its recent acquisition of CTI, and followed the accounting guidance that requires the utilization of a “management approach” to define and report the financial results of operating segments. The management approach defines operating segments along the lines used by the Company’s chief operating decision maker (CODM) to assess performance and make operating and resource allocation decisions. Our CODM evaluates performance and allocates resources based primarily on operating income (loss). Our operating segments are based primarily on internal management reporting.

The Company now operates in two reportable segments, flat products and tubular and pipe products. Through its flat products segment, the Company sells and distributes large volumes of processed carbon, coated, aluminum and stainless flat-rolled sheet, coil and plate products. Through its tubular and pipe products segment, the Company distributes metal tubing, pipe, bar, valve and fittings and fabricates pressure parts supplied to various industrial markets.

The following table summarizes financial information regarding segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2011	2010	2011	2010
Net sales				
Flat products	$287,137	$209,185	$880,518	$589,842
Tubular and pipe products	61,410	—	61,410	—
Total net sales	$348,547	$209,185	$941,928	$589,842
Operating income				
Flat products	$5,762	$(1,276)	$36,974	$7,637
Tubular and pipe products	3,553	—	3,553	—
Total operating income	$9,315	$(1,276)	$40,527	$7,637
Depreciation and amortization				
Flat products	$3,281	$3,270	$10,260	$9,775
Tubular and pipe products	1,375	—	1,375	—
Total depreciation and amortization	$4,656	$3,270	$11,635	$9,775
Capital expenditures				
Flat products	$8,018	$4,432	$24,434	$10,733
Tubular and pipe products	184	—	184	—
Total capital expenditures	$8,202	$4,432	$24,618	$10,733

(in thousands)	September 30, 2011	December 31, 2010
Total assets		
Flat products	$ 528,033	$ 429,438

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Tubular and pipe products	210,978	—
Total assets	$ 739,011	$ 429,438

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Acquisition of Chicago Tube and Iron Company	9 Months Ended Sep. 30, 2011
Acquisition of Chicago Tube and Iron Company [Abstract]	
Acquisition of Chicago Tube and Iron Company	**(2) Acquisition of Chicago Tube and Iron Company:** On July 1, 2011, the Company acquired all of the outstanding common shares of CTI pursuant to the terms of an Agreement and Plan of Merger dated May 18, 2011. CTI stocks, processes and fabricates metal tubing, pipe, bar, valves and fittings and pressure parts at nine operating facilities located primarily throughout the Midwestern United States. The acquisition of CTI enhances the Company's commercial opportunities by adding new product offerings to an expanded customer base and by increasing its distribution footprint.

The Company paid total cash consideration of $159.9 million, consisting of a base purchase price of $150.0 million, plus the closing cash, working capital and McNeeley purchase agreement payments (as disclosed in the Current Report on Form 8-K filed on May 18, 2011) totaling approximately $9.9 million. In addition, the Company assumed approximately $5.9 million of indebtedness and acquired $11.1 million of cash from CTI. Olympic funded its acquisition of CTI primarily with borrowings under its amended asset-based lending facility. During 2011, the Company incurred $919 thousand of direct acquisition-related costs, which are included in "Administrative and general" in the Consolidated Statement of Operations for the nine months ended September 30, 2011.

Purchase Price Allocation

The acquisition of CTI was accounted for under the acquisition method of accounting and, accordingly, the purchase price of $159.9 million has been allocated to the assets acquired and liabilities assumed based on estimated fair values at July 1, 2011, the date of acquisition.

The preliminary allocation of the total purchase price of CTI to the fair values of the assets acquired and liabilities assumed is as follows:

(in thousands)	Total
Cash	$11,097
Accounts receivable, net	22,378
Inventories	52,248
Assets held for sale	1,939
Property and equipment	49,920
Goodwill	38,973
Intangible assets subject to amortization	13,332
Intangible assets not subject to amortization	23,425
Other current and long-term assets	2,505
Total assets acquired	215,817
Accounts payable	(10,075)
Current and long-term debt	(5,880)
Deferred income taxes, net	(29,222)
Other current and long-term liabilities	(10,784)

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Total liabilities assumed	(55,961)
Net assets acquired	$159,856

The accompanying Consolidated Statements of Operations include the revenues and expenses of CTI since the acquisition date. CTI's net sales during the period July 1, 2011 through September 30, 2011 were $61.4 million. The Consolidated Balance Sheet as of September 30, 2011 reflects the preliminary allocation of CTI's purchase price, and is subject to change after the completion of certain deferred tax adjustments and pre-acquisition tax returns.

In connection with the acquisition of CTI, the Company identified and valued certain intangible assets, including the CTI trade name and its existing customer relationships. The trade name was recorded at $23.4 million, and is not subject to amortization. The Company determined that the trade name acquired has an indefinite life since its economic life is expected to approximate the life of CTI. Additionally, the Company recorded $13.3 million related to customer relationships, determined to be amortizable over a fifteen year useful life. The goodwill of $39.0 million is not deductible for tax purposes.

Pro Forma Financial Information

The following unaudited pro forma summary of financial results presents the consolidated results of operations as if the acquisition had occurred at January 1, 2011 and 2010, respectively, after the effect of certain adjustments, including increased depreciation expense resulting from recording fixed assets at fair value, interest expense on the acquisition debt and amortization of customer relationships, with the related tax effects. The pro forma results have been presented for comparative purposes only and are not indicative of what would have occurred had the acquisition been made as of January 1, 2011 or 2010, or of any potential results that may occur in the future.

	Nine Months Ended	
	September 30, 2011	**September 30, 2010**
(in thousands, except per share amounts)		
Pro forma (unaudited):		
Net sales	$ 1,062,009	$ 752,409
Net income	$ 26.823	$ 5,286
Basic earnings per common share	$ 2.45	$ 0.48
Diluted earnings per common share	$ 2.45	$ 0.48

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Derivative Instruments	9 Months Ended Sep. 30, 2011
Derivative Instruments [Abstract]	
Derivative Instruments	

(11)Derivative Instruments:

During 2011, the Company entered into nickel swaps indexed to the LME price of nickel with a third-party broker. The nickel swaps are treated as derivatives for accounting purposes. The Company entered into them to mitigate the risk of volatility in the price of nickel. The nickel swaps vary in length from one to fifteen months and are settled with the broker at maturity. The economic benefit or loss arising from the changes in fair value of the swaps is contractually passed through to the customer. The primary risk associated with the nickel swaps is the ability of our customer to honor its agreement with the Company related to derivative instruments. If the customer is unable to honor its agreement, the Company's risk of loss is the fair value of the nickel swap.

CTI entered into an interest rate swap to reduce the impact of changes in interest rates on its IRB. The swap agreement matures April 2018, the same time as the IRB, but is reduced annually by the amount of the principal payments on the IRB. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparties. The interest rate swap is not treated as a hedge for accounting purposes.

While these derivatives are intended to help the Company manage risk, they have not been designated as hedging instruments. The periodic changes in fair value of the nickel and embedded customer derivative instruments are included in "Cost of materials sold" in the Consolidated Statement of Operations. We recognize derivative positions with both the customer and the third party for the derivatives and we classify cash settlement amounts associated with them as part of "Cost of materials sold" in the Consolidated Statements of Operations. The periodic changes in fair value of the interest rate swap are included in "Other income and expense, net" in the Consolidated Statement of Operations. Cash settlement amounts associated with the interest rate swap are included in "Interest and other expense on debt" in the Consolidated Statements of Operations.

The embedded customer derivatives are included in "Accounts receivable, net", and the nickel and interest rate swaps are included in "Other accrued liabilities" and "Other long-term liabilities" on the Consolidated Balance Sheet at September 30, 2011.

As of September 30, 2011, we had paid $63 thousand of net derivative losses that we had not yet settled under the embedded customer derivative agreement. Settlement of these assets is expected to occur during the fourth quarter of 2011. There was no net impact from the nickel swaps or embedded customer derivative agreements to the Company's Consolidated Statement of Operations for the three or nine months ended September 30, 2011. The table below shows the total impact to the Company's Consolidated Statement of Operations of the derivatives for the three and nine months ended September 30, 2011.

	Net Gain (Loss) Recognized	
	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011

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(in thousands)		
Interest rate swap	$ (80)	$ (80)
Nickel swaps	(973)	901
Embedded customer derivatives	973	(901)
Total	$ (80)	$ (80)

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Leases	9 Months Ended Sep. 30, 2011
Leases [Abstract]	
Leases	

(15)Leases:

Operating Leases

The Company leases certain warehouses, sales offices, machinery and equipment and vehicles under long-term operating lease agreements. The leases expire at various dates through 2018. In some cases the leases include options to extend. The future minimum lease payments as of September 30, 2011 are as follows:

(in thousands)	Total
2011	$1,295
2012	4,257
2013	3,079
2014	2,240
2015	1,720
Thereafter	3,332
Total	$15,923

Capital Leases

The Company leases a warehouse in Streetsboro, Ohio under a capital lease agreement. The Company has signed a purchase agreement to purchase the facility at the end of the lease for $1.3 million. The capital lease obligation is included in "Current portion of short-term debt" and "Long-term debt" on the accompanying Consolidated Balance Sheet.

The capital lease obligation as of September 30, 2011 is as follows:

(in thousands)	
Total capital lease obligation	$1,615
Less: interest	(12)
Capital lease obligation	1,603
Less: current	(156)
Long term capital lease	$1,447

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Consolidated Balance Sheets (USD $) In Thousands	Sep. 30, 2011	Dec. 31, 2010
Assets		
Cash and cash equivalents	$ 1,211	$ 1,492
Accounts receivable, net	154,588	82,859
Inventories, net	293,585	200,606
Prepaid expenses and other	12,526	13,852
Assets held for sale	1,268	0
Total current assets	463,178	298,809
Property and equipment, at cost	314,288	239,500
Accumulated depreciation	(131,520)	(121,266)
Net property and equipment	182,768	118,234
Goodwill	46,056	7,083
Intangible assets, net	36,535	0
Other long-term assets	10,474	5,312
Total assets	739,011	429,438
Liabilities		
Current portion of long-term debt	9,661	0
Accounts payable	135,578	81,645
Accrued payroll	10,915	11,214
Other accrued liabilities	15,982	9,766
Total current liabilities	172,136	102,625
Credit facility revolver	174,460	55,235
Long-term debt	65,634	0
Other long-term liabilities	10,053	4,807
Deferred income taxes	30,654	5,133
Total liabilities	452,937	167,800
Stockholders' Equity		
Preferred stock		
Common stock	119,657	118,976
Accumulated other comprehensive income	4	0
Retained earnings	166,413	142,662
Total shareholders' equity	286,074	261,638
Total liabilities and shareholders' equity	$ 739,011	$ 429,438

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