METALS USA INC
Form 11-K
June 29, 2005

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

FORM 11-K

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

For the fiscal year ended December 31, 2004

METALS USA, INC. 401 (K) PLAN
(Full title of the Plan)

METALS USA, INC.
(Name of Issuer of the Securities Held Pursuant to the Plan)

COMMISSION FILE NUMBER 1-13123

| | |
|---|---|
| Delaware | 76-0533626 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

| | |
|---|---|
| One Riverway, Suite 1100 Houston, Texas | 77056 |
| (Address of Principal Executive Offices) | (Zip Code) |

Registrant's telephone number, including area code: (713) 965-0990

Metals USA, Inc. 401(k) Plan
Financial Statements for the Years Ended
December 31, 2004 and 2003 and Supplemental Schedule for the Year Ended
December 31, 2004
and Report of Independent Registered Public Accounting Firm

METALS USA, INC. 401(k) PLAN
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* Other supplemental schedules required by Section 2520-103.1 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Participants of
Metals USA, Inc. 401(k) Plan
Houston, Texas

We have audited the accompanying statements of net assets available for benefits of Metals USA, Inc. 401(k) Plan (the "Plan") as of December 31, 2004 and 2003, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly in all material respects, the net assets available for benefits as of December 31, 2004 and 2003, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2004 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP

Houston, Texas

June 28, 2005

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METALS USA, INC. 401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS, DECEMBER 31, 2004 AND 2003

| | 2004 | 2003 |
|---|---|---|
| ASSETS: | | |
| Investments, at fair value | $55,378,062 | $50,338,793 |
| Cash | 43,100 | - |
| Receivables: | | |
| Employer contributions | 118,178 | - |
| Employee contributions | 83,197 | 257,485 |
| Other receivables | 7,982 | - |
| Participant loans | 1,558,350 | 1,541,547 |
| Total receivables | 1,767,707 | 1,799,032 |
| NET ASSETS AVAILABLE FOR BENEFITS | $57,188,869 | $52,137,825 |

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

METALS USA, INC. 401(k) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

| | 2004 | 2003 |
|---|---|---|
| ADDITIONS TO NET ASSETS ATTRIBUTED TO: | | |
| Investment income: | | |
| Net appreciation in pooled separate accounts and mutual funds. | $ 5,204,210 | $ 7,542,678 |
| Interest | 194,899 | 706,064 |
| Company securities | 508,631 | 233,916 |
| Total investment income | 5,907,740 | 8,482,658 |
| Contributions: | | |

| | | |
|---|---|---|
| Employer | 1,278,939 | 355,118 |
| Employee | 4,810,378 | 2,773,365 |
| Total contributions | 6,089,317 | 3,128,483 |
| Transfer from affiliated plan | 592,071 | 24,998 |
| Total additions | 12,589,128 | 11,636,139 |
| DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO: | | |
| Benefit payments | 7,485,049 | 12,363,465 |
| Administrative expense | 13,954 | 20,603 |
| Participant loans receivable terminated due to withdrawal of participant | 39,081 | 495,779 |
| Assets transferred out | - | 1,863,873 |
| Total deductions | 7,538,084 | 14,743,720 |
| NET INCREASE / (DECREASE) | 5,051,044 | (3,107,581) |
| NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR | 52,137,825 | 55,245,406 |
| NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR | $57,188,869 | $52,137,825 |

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



METALS USA, INC. 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. DESCRIPTION OF PLAN

The following description of the Metals USA, Inc. 401(k) Plan (the "Plan") provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

General - The Plan is a defined contribution plan established effective June 1, 1998, and was amended and restated in its entirety effective January 1, 2000. Prior to 2004, non-union employees of Metals USA, Inc. (the "Company") were eligible to participate upon completing six months of service. The Plan was amended in 2003, and effective January 1, 2004 employees are eligible to participate upon the date of employment. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Contributions - Participant contributions are limited to the Internal Revenue Service established annual dollar limits. Participants who have attained age 50 on or before the last day of the Plan year are eligible to make catch-up contributions. Participants may also rollover amounts representing distributions from certain other qualified plans. At December 31, 2004, the Plan offered a number mutual funds and a stable value fund as investment options for participants. Employee contributions are recorded in the period during which the Company makes payroll deductions from the participant's earnings.

On January 1, 2004, the Company match was reinstated after being suspended on October 1, 2001. The Company matches 100% of the first 2% of each employee's contributions. The Company may also make discretionary qualified non-elective or profit sharing contributions. Discretionary qualified non-elective or profit sharing contributions, if any, are recorded when received. For the years ended December 31, 2004 and 2003 there were no discretionary contributions made.

Participant Accounts - Each participant's account is credited with the participant's contribution, the Company's matching contribution, an allocation of Plan earnings, and an allocation of any Company discretionary qualified non-elective and profit sharing contributions. Earnings are allocated by fund based on the ratio of a participant's account invested in a particular fund to all participants' investments in that fund. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting - Participants are immediately 100% vested in their own voluntary contributions and qualified non-elective and profit sharing contributions plus earnings thereon. During 2003, the Plan was amended to provide an immediate 100% vesting for all participants employed at December 31, 2003. Effective January 1, 2004, vesting in the Company's contribution portion of their accounts is based on years of service. Participants employed after December 31, 2003, vest in the Company matching contribution 50% in the first year and 100% at the end of the second year. However, if a participant dies, becomes disabled, or attains early or normal retirement age as defined by the Plan, prior to attaining the normal retirement age, the participant's account becomes 100% vested, if still employed by the Plan sponsor as of such date.

Benefit Payments - On termination of service, a participant may elect to receive either a lump-sum amount equal to the value of the vested portion of his or her account, a distribution in the form of an annuity, partial payments, or installment payments. Distributions are subject to the applicable provisions of the Plan agreement and applicable tax laws. Benefit claims are recorded as distributions when they have been approved for payment and paid by the Plan.

Participant Loans Receivable - Participants may borrow up to a maximum of $50,000 or 50% of the vested portion of his or her account balance, whichever is less. Loans are treated as a transfer to/from the investment fund from/to Participant Notes Receivable. A loan is secured by the balance in the participant's account and bears interest at a rate commensurate with market rates for similar loans, as defined (4.70% to 10.50% for the years ended December 31, 2004 and 2003).

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Administrative Expenses - The expenses of administration of the Plan, including the expenses of the Administrator and fees of the Trustee, shall be paid by the Plan unless the Plan sponsor elects to make payment.

Forfeitures - Forfeitures result from non-vested Company contributions remaining in the Plan for all terminated employees. As defined in the Plan document, forfeitures generated are added to the forfeiture reserve balance, which can be utilized to reduce Company contributions. At December

31, 2004 and 2003 forfeiture reserve balances were $26,215 and $307,091, respectively. During 2004, $421,240 of the forfeiture reserve balance was used to fund a portion of Metals USA, Inc.'s employer matching contributions. No forfeitures were utilized in 2003.

2. SUMMARY OF ACCOUNTING POLICIES

Method of Accounting - The Plan's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from these estimates.

Investment Valuation - Investments in the stable value fund and pooled separate accounts are stated at fair value, as determined by the unit value reported by the Plan's trustee. Investments in the CIGNA Guaranteed Income Fund and the ONLIC Accumulation Account are non-fully benefit responsive and are stated at fair value. The term "non-fully benefit responsive" generally relates to investments that have or could have possible conditions, limitations or restrictions on participant initiated transactions. Participant loans receivable are valued at the outstanding loan balance, which approximates fair value. Mutual funds and warrants for the Company's common stock are valued at quoted market prices.

The Plan assets at December 31, 2004 and 2003 include warrants which are traded on the NASDAQ national market quotation system under the sticker symbol "MUSAW." Pursuant to the Company's Reorganization Plan, which became effective October 31, 2002, all holders of Metals USA common stock were entitled to receive warrants in exchange for their shares in an approximate ratio of 1 warrant for every 10 shares of stock. On April 30, 2003, the Company initiated the exchange of warrants for the stock.

As a result of this exchange, the Plan received 275,465 warrants that were allocated to plan participants who may direct the usage of the warrants. The participants may sell the warrants and use the cash received to invest in any of the other plan asset options or take the cash as a distribution. At December 31, 2004 and 2003, the Plan held 101,211 and 244,432 warrants, respectively.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded as earned.

Risks and Uncertainties - The Plan provides for investments in various securities through the investment funds offered to participants, including but not limited to, foreign and domestic equity securities, bonds and obligations of the U.S. government, among others. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

3. INVESTMENTS

Investments that represent 5% or more of the Plan's net assets are separately identified below: