CASTLE A M & CO
Form 10-Q
August 09, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ýQuarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For Quarterly Period Ended June 30, 2016
or
¨Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission File Number: 1-5415

A. M. Castle & Co.
(Exact name of registrant as specified in its charter)

Maryland	36-0879160
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)
1420 Kensington Road, Suite 220, Oak Brook, Illinois	60523
(Address of principal executive offices)	(Zip Code)

Registrant's telephone, including area code (847) 455-7111

(Former name, former address and former fiscal year, if changed since last report) None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý 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.

Large accelerated filer ¨	Accelerated filer ý
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 in Rule 12b-2 of the Exchange Act).
Yes ¨ No ý
The number of shares outstanding of the registrant's common stock as of August 3, 2016 was 32,642,620 shares.

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements (unaudited)
Amounts in thousands, except par value and per share data
A.M. Castle & Co.
Condensed Consolidated Balance Sheets

	As of June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$11,855	$ 11,100
Accounts receivable, less allowances of $2,575 and $2,380, respectively	79,025	73,191
Inventories	189,384	216,090
Prepaid expenses and other current assets	13,353	10,424
Income tax receivable	295	346
Current assets of discontinued operations	—	37,140
Total current assets	293,912	348,291
Investment in joint venture	31,550	35,690
Intangible assets, net	7,179	10,250
Prepaid pension cost	9,722	8,422
Deferred income taxes	470	378
Other noncurrent assets	5,634	6,109
Property, plant and equipment:		
Land	2,072	2,519
Buildings	37,459	39,778
Machinery and equipment	128,779	153,955
Property, plant and equipment, at cost	168,310	196,252
Accumulated depreciation	(114,225)	(131,691)
Property, plant and equipment, net	54,085	64,561
Noncurrent assets of discontinued operations	—	19,805
Total assets	$402,552	$ 493,506
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$47,732	$ 45,606
Accrued and other current liabilities	30,040	28,078
Income tax payable	36	33
Current portion of long-term debt	5,683	7,012
Current liabilities of discontinued operations	—	11,158
Total current liabilities	83,491	91,887
Long-term debt, less current portion	274,688	310,614
Deferred income taxes	—	4,169
Build-to-suit liability	13,000	13,237
Other noncurrent liabilities	9,314	7,935
Pension and postretirement benefit obligations	18,568	18,676
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, $0.01 par value—9,988 shares authorized (including 400 Series B Junior Preferred, $0.00 par value); no shares issued and outstanding at June 30, 2016 and December 31, 2015	—	—

Common stock, $0.01 par value—60,000 shares authorized; 32,464 shares issued and 32,370 outstanding at June 30, 2016 and 23,888 shares issued and 23,794 outstanding at December 31, 2015	324	238
Additional paid-in capital	243,953	226,844
Accumulated deficit	(203,449)	(145,309)
Accumulated other comprehensive loss	(36,373)	(33,821)
Treasury stock, at cost—94 shares at June 30, 2016 and December 31, 2015	(964)	(964)
Total stockholders' equity	3,491	46,988
Total liabilities and stockholders' equity	$402,552	$ 493,506

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

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A.M. Castle & Co.
Condensed Consolidated Statements of Operations
and Comprehensive Loss

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales	$130,692	$166,328	$294,540	$354,868
Costs and expenses:				
Cost of materials (exclusive of depreciation and amortization)	97,644	152,179	231,402	296,534
Warehouse, processing and delivery expense	20,808	27,342	44,211	50,933
Sales, general and administrative expense	17,229	21,347	34,666	42,315
Restructuring expense	2,044	15,618	13,762	16,449
Depreciation and amortization expense	4,260	5,887	8,653	11,781
Total costs and expenses	141,985	222,373	332,694	418,012
Operating loss	(11,293)	(56,045)	(38,154)	(63,144)
Interest expense, net	9,599	10,025	19,968	20,189
Unrealized gain on embedded debt conversion option	(1,284)	—	(1,284)	—
Debt restructuring (gain) loss, net	(513)	—	6,562	—
Other (income) expense, net	(2,808)	(3,963)	(1,663)	2,262
Loss from continuing operations before income taxes and equity in (losses) earnings of joint venture	(16,287)	(62,107)	(61,737)	(85,595)
Income tax expense (benefit)	531	(14,561)	196	(21,512)
Loss from continuing operations before equity in (losses) earnings of joint venture	(16,818)	(47,546)	(61,933)	(64,083)
Equity in (losses) earnings of joint venture	(4,452)	451	(4,141)	1,326
Loss from continuing operations	(21,270)	(47,095)	(66,074)	(62,757)
Income from discontinued operations, net of income taxes	—	843	7,934	1,378
Net loss	$(21,270)	$(46,252)	$(58,140)	$(61,379)
Basic earnings (loss) per common share:				
Continuing operations	$(0.77)	$(2.00)	$(2.57)	$(2.67)
Discontinued operations	—	0.04	0.31	0.06
Net basic loss per common share	$(0.77)	$(1.96)	$(2.26)	$(2.61)
Diluted earnings (loss) per common share:				
Continuing operations	$(0.77)	$(2.00)	$(2.57)	$(2.67)
Discontinued operations	—	0.04	0.31	0.06
Net diluted loss per common share	$(0.77)	$(1.96)	$(2.26)	$(2.61)
Comprehensive loss:				
Net loss	$(21,270)	$(46,252)	$(58,140)	$(61,379)
Change in unrecognized pension and postretirement benefit costs, net of tax	456	1,837	912	2,859
Foreign currency translation adjustments	(4,075)	(378)	(3,464)	(4,692)
Comprehensive loss	$(24,889)	$(44,793)	$(60,692)	$(63,212)

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

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A.M. Castle & Co.
Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30,	
	2016	2015
Operating activities:		
Net loss	$(58,140)	$(61,379)
Less: Income from discontinued operations, net of income taxes	7,934	1,378
Loss from continuing operations	(66,074)	(62,757)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities of continuing operations:		
Depreciation and amortization	8,653	11,781
Amortization of deferred gain	(79)	—
Amortization of deferred financing costs and debt discount	3,633	4,242
Debt restructuring loss	6,562	—
Loss from lease termination	4,452	—
Unrealized gain on embedded debt conversion option	(1,284)	—
Loss (gain) on sale of property, plant and equipment	1,650	(5,681)
Unrealized gain on commodity hedges	(598)	(172)
Unrealized foreign currency transaction (gain) loss	(88)	1,433
Equity in losses (earnings) of joint venture	4,141	(1,326)
Dividends from joint venture	—	315
Share-based compensation expense	566	(4)
Pension curtailment	—	3,080
Deferred income taxes	—	(22,276)
Other, net	—	(9)
Changes in assets and liabilities:		
Accounts receivable	(6,118)	13,420
Inventories	26,729	35,227
Prepaid expenses and other current assets	(1,769)	(2,197)
Other noncurrent assets	(3,026)	(1,988)
Prepaid pension costs	(264)	1,240
Accounts payable	1,937	(8,124)
Income tax payable and receivable	51	113
Accrued and other current liabilities	498	14,151
Pension and postretirement benefit obligations and other noncurrent liabilities	1,201	(315)
Net cash used in operating activities of continuing operations	(19,227)	(19,847)
Net cash (used in) from operating activities of discontinued operations	(5,219)	4,773
Net cash used in operating activities	(24,446)	(15,074)
Investing activities:		
Capital expenditures	(1,912)	(2,550)
Proceeds from sale of property, plant and equipment	2,836	7,644
Net cash from investing activities of continuing operations	924	5,094
Net cash from (used in) investing activities of discontinued operations	53,570	(745)
Net cash from investing activities	54,494	4,349
Financing activities:		
Proceeds from long-term debt	426,861	464,700
Repayments of long-term debt	(447,185)	(450,795)
Payment of debt restructuring costs	(8,677)	—

Payments of build-to-suit liability	(237)	—
Net cash (used in) from financing activities	(29,238)	13,905
Effect of exchange rate changes on cash and cash equivalents	(55)	(138)
Net change in cash and cash equivalents	755	3,042

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A.M. Castle & Co.
Condensed Consolidated Statements of Cash Flows

	Six Months Ended	
Cash and cash equivalents - beginning of year	11,100	8,454
Cash and cash equivalents - end of period	$11,855	$11,496

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

A. M. Castle & Co.
Notes to Condensed Consolidated Financial Statements
Unaudited - Amounts in thousands except per share data and percentages

(1) Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by A. M. Castle & Co. and subsidiaries (the “Company”), without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”), and accounting principles generally accepted in the United States of America (“GAAP”). The Condensed Consolidated Balance Sheet at December 31, 2015 is derived from the audited financial statements at that date. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. In the opinion of management, the unaudited statements included herein contain all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of financial results for the interim period. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 (as amended) and the Form 8-K filed May 26, 2016, to update the Form 10-K (as amended) to revise the financial statement presentation and disclosures to reflect discontinued operations related to the sale of substantially all the assets of the Company's wholly-owned subsidiary, Total Plastics, Inc. ("TPI"). The 2016 interim results reported herein may not necessarily be indicative of the results of the Company’s operations for the full year.

In March 2016, the Company completed the sale of substantially all the assets of TPI. TPI is reflected in the accompanying condensed consolidated financial statements as a discontinued operation, and all the data in this filing has been recast to present TPI as a discontinued operation for all periods presented.

(2) New Accounting Standards

Standards Updates Issued Not Yet Effective

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting," which simplifies several aspects of the accounting for employee share-based payment transactions. Under ASU No. 2016-09, a Company recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement, eliminating the notion of the additional paid-in capital pool and significantly reducing the complexity and cost of accounting for excess tax benefits and tax deficiencies. For interim reporting purposes, excess tax benefits and tax deficiencies are considered discrete items in the reporting period in which they occur and are not included in the estimate of an entity’s annual effective tax rate. ASU No. 2016-09 further eliminates the requirement to defer recognition of an excess tax benefit until the benefit is realized through a reduction to taxes payable. For public companies, the ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. Early adoption will be permitted in any interim or annual period for which financial statements have not yet been issued or have not been made available for issuance. The Company is currently evaluating the impact the adoption of ASU No. 2016-09 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires that lessees recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position. ASU No. 2016-02 also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The update is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within that reporting period. Early adoption is permitted. The Company is currently evaluating the impact the adoption of ASU No. 2016-02 will have on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern," providing additional guidance surrounding the disclosure of going concern uncertainties in the financial statements and implementing requirements for management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date the financial statements are issued. The ASU is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2016. The Company will begin performing the periodic assessments required by the ASU on its effective date and is currently assessing whether the adoption of the ASU will result in additional

disclosures.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," related to revenue recognition. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in prior accounting guidance. The ASU provides alternative methods

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of initial adoption. ASU No. 2015-14, "Deferral of the Effective Date," was issued in August 2015 to defer the effective date of ASU No. 2014-09 for public companies until annual reporting periods beginning after December 15, 2017. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. In 2016, the FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” ASU No. 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,” and ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606), Narrow-Scope Improvements and Practical Expedients," which provide supplemental adoption guidance and clarification to ASC No. 2014-09. ASU No. 2016-08, ASU No. 2016-10 and ASU No. 2016-12 must be adopted concurrently with the adoption of ASU No. 2014-09. The Company is currently reviewing the guidance and assessing the potential impact on its consolidated financial statements.

(3) Discontinued Operation

On March 15, 2016, the Company completed the sale of TPI for $55,070 in cash, subject to customary working capital adjustments. Under the terms of the sale, $1,500 of the purchase price has been placed into escrow pending adjustment based upon the final calculation of the working capital at closing. The sale resulted in pre-tax and after-tax gains of $4,217 and $2,994, respectively.

Prior to the sale of TPI, the Company had two reportable segments consisting of its Plastics segment and its Metals segment. Subsequent to the sale of TPI, which represented the Company's Plastics segment in its entirety, the Company has only one reportable segment.

Summarized results of the discontinued operation were as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net sales	$—	$33,375	$29,680	$67,063
Cost of materials	—	23,291	21,027	47,281
Operating costs and expenses	—	8,336	7,288	16,804
Interest expense[a]	—	349	333	731
Income from discontinued operations before income taxes	$—	$1,399	$1,032	$2,247
Income tax expense (benefit) [b]	—	556	(3,908)	869
Gain on sale of discontinued operations, net of income taxes	—	—	2,994	—
Income from discontinued operations, net of income taxes	$—	$843	$7,934	$1,378

[a]Interest expense was allocated to the discontinued operation based on the debt that was required to be paid as a result of the sale of TPI.

[b] Income tax benefit for the six months ended June 30, 2016 includes $4,207 reversal of valuation allowance resulting from the sale of TPI.

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Major classes of assets and liabilities of the discontinued operation at December 31, 2015 were as follows:

	December 31, 2015
Current assets of discontinued operations:	
Accounts receivable	$ 16,688
Inventories	19,353
Prepaid expenses and other current assets	1,099
Current assets of discontinued operations	$ 37,140
Noncurrent assets of discontinued operations:	
Goodwill	$ 12,973
Property, plant and equipment, at cost	26,979
Less: accumulated depreciation	(20,147)
Noncurrent assets of discontinued operations	$ 19,805
Current liabilities of discontinued operations:	
Accounts payable	$ 10,666
Accrued and other current liabilities	492
Current liabilities of discontinued operations	$ 11,158

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Earnings (Loss) Per Share

Diluted earnings (loss) per common share is computed by dividing income (loss) by the weighted average number of shares of common stock outstanding plus outstanding common stock equivalents. Common stock equivalents consist of employee and director stock options, restricted stock awards, other share-based payment awards, and contingently issuable shares related to the Company's 7.0% Convertible Senior Notes due December 15, 2017 (the "Convertible Notes") and the Company's 5.25% Convertible Senior Secured Notes due December 30, 2019 (the "New Convertible Notes"), which are included in the calculation of weighted average shares outstanding using the treasury stock method, if dilutive. Refer to Note 7 - Debt for further description of the Convertible Notes and New Convertible Notes.

The following table is a reconciliation of the basic and diluted earnings (loss) per common share calculations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator:				
Loss from continuing operations	$(21,270)	$(47,095)	$(66,074)	$(62,757)
Income from discontinued operations, net of income taxes	—	843	7,934	1,378
Net loss	$(21,270)	$(46,252)	$(58,140)	$(61,379)
Denominator:				
Weighted average common shares outstanding	27,793	23,560	25,709	23,511
Effect of dilutive securities:				
Outstanding common stock equivalents	—	—	—	—
Denominator for diluted earnings (loss) per common share	27,793	23,560	25,709	23,511
Basic earnings (loss) per common share:				
Continuing operations	$(0.77)	$(2.00)	$(2.57)	$(2.67)
Discontinued operations	—	0.04	0.31	0.06
Net basic loss per common share	$(0.77)	$(1.96)	$(2.26)	$(2.61)
Diluted earnings (loss) per common share:				
Continuing operations	$(0.77)	$(2.00)	$(2.57)	$(2.67)
Discontinued operations	—	0.04	0.31	0.06
Net diluted loss per common share	$(0.77)	$(1.96)	$(2.26)	$(2.61)
Excluded outstanding share-based awards having an anti-dilutive effect	929	368	929	368
Excluded "in the money" portion of New Convertible Notes having an anti-dilutive effect	—	—	—	—

The New Convertible Notes are dilutive to the extent the Company generates net income and the average stock price during the period is greater than $2.25, which is the conversion price of the New Convertible Notes.The New Convertible Notes are only dilutive for the "in the money" portion of the New Convertible Notes that could be settled with the Company's common stock. In future periods, absent a fundamental change (as defined in the New Convertible Notes indenture), the outstanding New Convertible Notes could increase diluted average shares outstanding by a maximum of approximately 9,900 shares. The Convertible Notes would have an insignificant impact on the diluted average shares outstanding if settled with the Company's stock.

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(5) Joint Venture

Kreher Steel Company, LLC ("Kreher") is a 50% owned joint venture of the Company. Kreher is a national distributor and processor of carbon and alloy steel bar products, headquartered in Melrose Park, Illinois.

The following information summarizes financial data for this joint venture:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales	$29,752	$41,014	$61,270	$93,620
Cost of materials	25,155	35,045	51,756	79,395
(Loss) income before taxes	(65)	760	501	2,750
Net income	368	902	990	2,652

In June 2016, the Company received an offer from its joint venture partner to purchase its ownership share in Kreher for an amount that was less than the current carrying value of the Company's investment in Kreher. The Company determined that the offer to purchase its ownership share in Kreher at a purchase price lower than the carrying value indicates that it may not be able to recover the full carrying amount of its investment and therefore, recognized a $4,636 other-than-temporary impairment charge in the second quarter of 2016 to reduce the carrying amount of the investment to the negotiated purchase price. Prior to receiving the purchase offer in June 2016, the Company had no previous indicators that its investment in Kreher had incurred a loss in value that was other than temporary. On August 8, 2016, the Company announced that it had entered into an agreement with its joint venture partner for the sale of its 50% ownership in Kreher. Refer to Note 16 - Subsequent Events for further details of this transaction.

(6) Intangible Assets

Intangible assets consisted of customer relationships as follows:

	June 30, 2016		December 31, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$67,423	$ 60,244	$67,438	$ 57,188

The Company recorded the following aggregate amortization expense associated with intangibles:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Amortization expense	$1,533	$2,674	$3,060	$5,346

The following is a summary of the estimated annual amortization expense for the remainder of 2016 and each of the subsequent years:

2016	$3,068
2017	$4,111
2018	$—
2019	$—
2020	$—

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(7) Debt

Long-term debt consisted of the following:

	June 30, 2016	December 31, 2015
LONG-TERM DEBT		
12.75% Senior Secured Notes due December 15, 2016	$5,481	$ 6,681
7.0% Convertible Notes due December 15, 2017	41	57,500
12.75% Senior Secured Notes due December 15, 2018	204,519	203,319
Revolving Credit Facility due December 10, 2019	46,000	66,100
5.25% Convertible Notes due December 30, 2019	22,323	—
Other, primarily capital leases	202	428
Plus: derivative liability for embedded conversion feature	9,569	—
Less: unamortized discount	(4,828)	(12,255)
Less: unamortized debt issuance costs	(2,936)	(4,147)
Total long-term debt	$280,371	$ 317,626
Less: current portion	5,683	7,012
Total long-term portion	$274,688	$ 310,614

Secured Notes

In February 2016, the Company completed a private exchange offer and consent solicitation (the “Exchange Offer”) to certain eligible holders to exchange new 12.75% Senior Secured Notes due 2018 (the “New Secured Notes”) for the Company’s outstanding 12.75% Senior Secured Notes due 2016 (the "Secured Notes"). In connection with the Exchange Offer, the Company issued $203,319 aggregate principal amount of New Secured Notes. In conjunction with the Exchange Offer, the Company solicited consents to certain proposed amendments to the Secured Notes and the related indenture (the “Existing Indenture”) providing for, among other things, elimination of substantially all restrictive covenants and certain events of default in the Existing Indenture and releasing all of the collateral securing the Secured Notes and related guarantees. In May 2016, the Company entered into an agreement providing for the exchange of $1,200 aggregate principal amount of Secured Notes for $1,200 aggregate principal amount of New Secured Notes, leaving $5,481 aggregate principal amount of Secured Notes outstanding at June 30, 2016.

The Company maintains the contractual right to exchange the remaining Secured Notes with New Secured Notes prior to their maturity date. The Company may redeem some or all of the Secured Notes and New Secured Notes at a redemption price of 100% of the principal amount, plus accrued and unpaid interest.

On August 1, 2016, the Company issued a notice of redemption with respect to the remaining outstanding Secured Notes and deposited $5,629 with the trustee (representing the aggregate principal amount plus accrued and unpaid interest to the August 31, 2016 redemption date) to effect a satisfaction and discharge of the indenture governing the Secured Notes. Refer to Note 16 - Subsequent Events.

The New Secured Notes have substantially the same terms as the Secured Notes except for the following principal differences: (i) the New Secured Notes were offered pursuant to an exemption from the registration requirements of the Securities Act, and do not have the benefit of any exchange offer or other registration rights, (ii) the New Secured Notes effectively extend the maturity date of the Secured Notes to December 15, 2018, unless the Company is unable to both (a) complete the exchange of a portion of its Convertible Notes on or prior to June 30, 2016, and (b) redeem, on one or more occasions (each, a “Special Redemption”), an aggregate of not less than $27,500 of aggregate principal amount of the New Secured Notes on or prior to October 31, 2016, using cash available to the Company and/or net proceeds from sales of assets of the Company or a Restricted Subsidiary outside the ordinary course of business (other than net proceeds derived from the sale of accounts receivable and inventory (the “Designated Asset Sale Proceeds”)), subject to a penalty equal to 4.00% of the outstanding principal, payable in cash and/or stock, in the Company’s sole discretion (the “Special Redemption Condition”), in which case the maturity date of the New Secured Notes will be September 14, 2017, (iii) the New Secured Notes provide that, whether or not the Special Redemption Condition is

satisfied, the Company will have an obligation to effect Special Redemptions using Designated Asset Sale Proceeds or other permissible funds until such time as the aggregate amount of Special Redemptions equals $40,000,

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(iv) the New Secured Notes contain modifications to the asset sale covenant providing that the Company shall not use any net proceeds from asset sales outside the ordinary course of business to redeem, repay or prepay the Secured Notes or the Convertible Notes, and (v) the granting of a third-priority lien on the collateral securing the New Secured Notes for the benefit of new Convertible Notes is a permitted lien under the indenture.

The New Secured Notes and the Secured Notes (together, the "Notes") are fully and unconditionally guaranteed, jointly and severally, by certain 100% owned domestic subsidiaries of the Company (the “Guarantors”). The New Secured Notes and the related guarantees are secured by a lien on substantially all of the Company's and the Guarantors' assets, subject to certain exceptions and permitted liens pursuant to a pledge and security agreement. The terms of the New Secured Notes contain numerous covenants imposing financial and operating restrictions on the Company's business. These covenants place restrictions on the Company's ability and the ability of its subsidiaries to, among other things, pay dividends, redeem stock or make other distributions or restricted payments; incur indebtedness or issue common stock; make certain investments; create liens; agree to payment restrictions affecting certain subsidiaries; consolidate or merge; sell or otherwise transfer or dispose of assets, including equity interests of certain subsidiaries; enter into transactions with affiliates, enter into sale and leaseback transactions; and use the proceeds of permitted sales of the Company's assets. Refer to Note 15 - Guarantor Financial Information to the Condensed Consolidated Financial Statements.

The New Secured Notes also contain a provision that allows holders of the New Secured Notes to require the Company to repurchase all or any part of the New Secured Notes if a change of control triggering event occurs. Under this provision, the repurchase of the New Secured Notes will occur at a purchase price of 101% of the outstanding principal amount, plus accrued and unpaid interest, if any, on such New Secured Notes to the date of repurchase. In addition, upon certain asset sales, the Company may be required to offer to use the net proceeds thereof to purchase some of the New Secured Notes at 100% of the principal amount thereof, plus accrued and unpaid interest.

The New Secured Notes require that the Company make, subject to certain conditions and within 95 days of the end of each fiscal year beginning with the fiscal year ending December 31, 2016, an offer to purchase the New Secured Notes with i) 75% of excess cash flow (as defined in the New Secured Notes indenture) until the Company has offered to purchase up to $50,000 in aggregate principal amount of the notes, ii) 50% of excess cash flow until the Company has offered to purchase up to $75,000 in aggregate principal amount of the notes, iii) 25% of the excess cash flow until the Company has offered to purchase up to $100,000 in aggregate principal amount of the notes and iv) 0% thereafter, in each case, at 103% of the principal amount, thereof, plus accrued and unpaid interest.

The Company determined that the Exchange Offer was considered to be a troubled debt restructuring within the scope of ASC No. 470-60, "Debt-Troubled Debt Restructurings", as the Company was determined to be experiencing financial difficulties and was granted a concession by the eligible holders. Accordingly, for the six months ended June 30, 2016 the Company has expensed the eligible holder consent fees and related legal and other direct costs of $7,075 incurred in conjunction with the Exchange Offer in debt restructuring costs in the Condensed Consolidated Statements of Operations and Comprehensive Loss. There were no consent fees or related legal and other direct costs incurred in conjunction with the Exchange Offer for the three months ended June 30, 2016.

The Company pays interest on the Notes at a rate of 12.75% per annum in cash semi-annually.

Convertible Notes

In the first half of 2016, the Company entered into Transaction Support Agreements (as amended, supplemented or modified, the “Support Agreements”) with certain holders (the “Supporting Holders”) of the Convertible Notes. The Support Agreements provided for the terms of exchanges in which the Company agreed to issue new 5.25% Senior Secured Convertible Notes due 2019 (the “New Convertible Notes”) in exchange for outstanding Convertible Notes (the “Convertible Note Exchange”). For each $1 principal amount of Convertible Notes validly exchanged in the Convertible Note Exchange, an exchanging holder of Convertible Notes was entitled to receive $0.7 principal amount of New Convertible Notes, plus accrued and unpaid interest. On March 22, 2016, the Company filed a registration statement on Form S-3, as later amended, to register the resale of the common stock underlying the New Convertible Notes. On May 6, 2016, the Company held a special meeting of stockholders to consider a proposal to approve, as required pursuant to Rule 312 of the NYSE Listed Company Manual, the issuance of the Company’s common stock upon conversion of the New Convertible Notes. The proposal was approved by the Company’s stockholders with the

affirmative vote of approximately 73% of the outstanding shares of common stock entitled to vote thereon, which represented approximately 99% of the total votes cast.
In May 2016, the Company entered into amendments to the Support Agreements that, among other things, permitted the Supporting Holders to elect to exchange some or all of the Convertible Notes directly into shares of the Company's

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common stock on the same economic terms as would be applicable had they exchanged their Convertible Notes for New Convertible Notes and then converted those New Convertible Notes into common stock.

Supporting Holders holding $23,443 in aggregate principal amount of Convertible Notes exchanged their Convertible Notes for an aggregate of 7,863 shares of the Company's common stock, which had a fair value of $15,332 at the time of the Convertible Note Exchange. Supporting Holders holding $34,016 in aggregate principal amount of Convertible Notes exchanged their Convertible Notes for $23,806 in aggregate principal amount of New Convertible Notes, which included (i) $20,866 in aggregate principal amount of New Convertible Notes issued pursuant to exchange agreements between the Company and certain non-affiliate noteholders and (ii) $2,940 in aggregate principal amount of New Convertible Notes issued pursuant to an exchange agreement with an affiliate of the Company.

As further described below, the New Convertible Notes are convertible into common stock at the option of the holder. The Company determined that the conversion option is not clearly and closely related to the economic characteristics of the New Convertible Notes, nor does it meet the criteria to be considered indexed to the Company's common stock. As a result, the Company concluded that the embedded conversion option must be bifurcated from the New Convertible Notes, separately valued, and accounted for as a derivative liability that partially settled the Convertible Notes. The initial value allocated to the derivative liability was $11,574, with a corresponding discount recorded to the New Convertible Notes. During each reporting period, the derivative liability, which is classified in long-term debt, will be marked to fair value through earnings.

The Convertible Note Exchange was considered to be a troubled debt restructuring, as the Company was experiencing financial difficulties and was granted a concession by the Supporting Holders. As a result, the Company recognized a loss of $76 from the Convertible Note Exchange. The loss has been included in debt restructuring gain (loss), net in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

Subsequent to the Convertible Note Exchange, $1,483 in aggregate principal amount of New Convertible Notes was converted to 713 shares of the Company's common stock. This resulted in a $589 extinguishment gain from the conversion of the New Convertible Notes and the settlement of a related portion of the derivative liability. The gain has been included in debt restructuring gain (loss), net in the Condensed Consolidated Statements of Operations and Comprehensive Loss. As of June 30, 2016, the Company had $22,323 aggregate principal amount of New Convertible Notes outstanding, and the derivative liability had a fair value of $9,569.

The New Convertible Notes will mature on December 30, 2019, and will bear interest at a rate of 5.25% per annum, payable semi-annually in cash. The New Convertible Notes are initially convertible into shares of the Company's common stock at any time at a conversion price per share equal to $2.25 and are subject to adjustment in accordance with the New Convertible Notes indenture. All current and future guarantors of the New Secured Notes, the Secured Notes, the Revolving Credit Facility, and any other material indebtedness of the Company guarantee the New Convertible Notes, subject to certain exceptions. The New Convertible Notes are secured on a "silent" third-priority basis by the same collateral that secures the New Secured Notes. Upon conversion, the Company will pay and/or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, together with cash in lieu of fractional shares. The value of shares of the Company's common stock for purposes of the settlement of the conversion right will be calculated as provided in the indenture, using a 20 trading day observation period. Upon such conversion, the holder shall be entitled to receive an amount equal to the "make-whole" premium, payable in the form of cash, shares of the Company's common stock, or a combination of both, in the Company's sole discretion. The value of shares of Company common stock for purposes of calculating the "make-whole" premium will be based on the greater of (i) 130% of the conversion price then in effect and (ii) the volume weighted average price ("VWAP") of such shares for the 20 trading day observation period as provided in the indenture.

If the VWAP of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which such notice of redemption is provided, the Company shall have the right to redeem any or all of the New Convertible Notes at a price equal to (i) 100.0% of the aggregate principal amount thereof plus (ii) the "make-whole" premium. The redemption price can be paid in the form of cash, shares of the Company's common stock or a combination of both, at the

Company's sole discretion. The value of shares of the Company's common stock will be based on the VWAP of such shares for the 20 trading days immediately preceding the date of redemption. Prior to the third trading day prior to the date of any such redemption, any New Convertible Notes called for redemption may be converted by the holder into shares of the Company's common stock at the conversion price then in effect.

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Following the Convertible Note Exchange, the Company had $41 aggregate principal amount of Convertible Notes outstanding at June 30, 2016.

Revolving Credit Facility

In June 2016, the Company entered into an amendment (the “Amendment”) to the Loan and Security Agreement governing the senior secured asset-based revolving credit facility (the “Revolving Credit Facility”), by and among the Company and certain domestic subsidiaries, the financial institutions from time to time party to the Loan and Security Agreement as lenders, and Wells Fargo Bank, National Association, in its capacity as agent. The Amendment reduced the aggregate commitments under the Revolving Credit Facility from $125,000 to $100,000, and also decreased aggregate commitments under (i) the Canadian portion of the Revolving Credit Facility from $20,000 to $16,000 and (ii) the letter of credit facility portion of the Revolving Credit Facility from $20,000 to $16,000.

The Amendment imposed an availability block that decreased availability under the Revolving Credit Facility by $17,500 initially. The availability block is subject to adjustment, and is reduced to $8,750 if the Company’s ratio (as defined in the Revolving Credit Facility Loan and Security Agreement) of EBITDA to fixed charges (the “Fixed Charge Coverage Ratio”) is at least 1.0 to 1.0 for each of the preceding six months. It is reduced to zero if the Fixed Charge Coverage Ratio is at least 1.0 to 1.0 for any trailing twelve-month period.

Previously, the Revolving Credit Facility restricted the Company’s ability to repay the New Secured Notes and the Secured Notes unless the Company is able to satisfy certain financial testing conditions. Pursuant to the terms of the Amendment, the Company is permitted to repay up to $27,500 of the New Secured Notes and up to $6,000 of the Secured Notes, subject to satisfaction of revised financial testing conditions.

The Amendment also increased the interest rate charged in connection with loans advanced under the Revolving Credit Facility. At the Company’s election, borrowings under the Revolving Credit Facility will bear interest at variable rates based on (a) a customary base rate plus an applicable margin of 1.75% or (b) an adjusted LIBOR rate plus an applicable margin of 2.75%, with such applicable margins subject to adjustment if the Fixed Charge Coverage Ratio is at least 1.0 to 1.0. The weighted average interest rate for borrowings under the Revolving Credit Facility for the three and six months ended June 30, 2016, respectively, was 3.30% and 3.10%, respectively. The Company pays certain customary recurring fees with respect to the Revolving Credit Facility.

The Revolving Credit Facility matures on December 10, 2019 (or 91 days prior to the maturity date of the Company's Secured Notes or Convertible Notes if they have not been refinanced at that time). If certain incurrence tests are met, subject to approval by the Revolving Credit Facility lending group, the Company may have the ability under its Revolving Credit Facility to increase the aggregate commitments by $25,000 in the future. Currently, the Company is not able to increase the aggregate commitments as it has not met the incurrence tests.

The Revolving Credit Facility contains a springing financial maintenance covenant requiring the Company to maintain a Fixed Charge Coverage Ratio of 1.1 to 1.0 when excess availability is less than the greater of 10% of the calculated borrowing base (as defined in the Revolving Credit Facility Loan and Security Agreement) or $10,000. In addition, if excess availability is less than the greater of 12.5% of the calculated borrowing base (as defined in the Revolving Credit Facility Loan and Security Agreement) or $12,500, the lender has the right to take full dominion of the Company’s cash collections and apply these proceeds to outstanding loans under the Revolving Credit Facility. The Company's Fixed Charge Coverage Ratio was negative for the twelve months ended June 30, 2016. At this ratio, the Company's current maximum borrowing capacity would be $59,989 before triggering full dominion of the Company's cash collections. As of June 30, 2016, the Company had $13,989 of additional unrestricted borrowing capacity under the Revolving Credit Facility.

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(8) Fair Value Measurements

The three-tier value hierarchy the Company utilizes, which prioritizes the inputs used in the valuation methodologies, is:

Level 1—Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2—Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants.

The fair value of cash, accounts receivable and accounts payable approximate their carrying values. The fair value of cash equivalents are determined using the fair value hierarchy described above. Cash equivalents consisting of money market funds are valued based on quoted prices in active markets and as a result are classified as Level 1.

The Company’s pension plan asset portfolio as of June 30, 2016 and December 31, 2015 is primarily invested in fixed income securities, which generally fall within Level 2 of the fair value hierarchy. Fixed income securities are valued based on evaluated prices provided to the trustee by independent pricing services. Such prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities.

Fair Value Measurements of Debt

The fair value of the Company’s Secured Notes as of June 30, 2016 was estimated to be $4,116 compared to a carrying value of $5,481. The fair value of the Company's New Secured Notes as of June 30, 2016 was estimated to be $152,992 compared to a carrying value of $204,519. The fair value of the Company's Secured Notes as of December 31, 2015 was estimated to be $160,662 compared to a carrying value of $210,000. The fair values for both the Secured Notes and New Secured Notes were determined based on recent trades of the bonds and fall within Level 2 of the fair value hierarchy.

The fair value of the Company's Convertible Notes as of June 30, 2016 was estimated to be $25 compared to a carrying value of $41. The fair value of the Convertible Notes as of December 31, 2015 was approximately $21,966 compared to a carrying value of $57,500. The fair value of the Company's New Convertible Notes as of June 30, 2016, excluding the bifurcated embedded conversion option, was estimated to be $6,705 compared to a carrying value of $22,323. The fair values for both the Convertible Notes and New Convertible Notes, which fall within Level 3 of the fair value hierarchy, were determined based on similar debt instruments that do not contain a conversion feature, as well as other factors related to the callable nature of the Convertible Notes and New Convertible Notes.

The main inputs and assumptions into the fair value model for the New Convertible Notes at June 30, 2016 were as follows:

Company's stock price at the end of the period	$1.64
Expected volatility	71.00 %
Credit spreads	48.16 %
Risk-free interest rate	0.79 %

Given the revolving nature and the variable interest rates, the Company has determined that the fair value of the Revolving Credit Facility approximates its carrying value.

Fair Value Measurements of Embedded Conversion Feature

The fair value of the derivative liability for the embedded conversion feature of the New Convertible Notes was estimated to be $9,569 as of June 30, 2016. The estimated fair value of the derivative liability for the embedded conversion feature of the New Convertible Notes, which falls within Level 3 of the fair value hierarchy, is measured on a recurring basis using a binomial lattice model using the Company's historical volatility over the term corresponding to the remaining contractual term of the New Convertible Notes and observed spreads of similar debt instruments that do

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not include a conversion feature. The following reconciliation represents the change in fair value of the embedded conversion feature of the New Convertible Notes between December 31, 2015 and June 30, 2016:

	Derivative liability for embedded conversion feature
Fair value as of December 31, 2015	$ —
Fair value at issuance date	11,574
Settlement upon conversion into common stock	(721)
Mark-to-market adjustment on conversion feature[a]	(1,284)
Fair value as of June 30, 2016	$ 9,569

[a] Gain is recognized in unrealized gain on embedded debt conversion option in the Condensed Consolidated Statements of Operations and Comprehensive Loss for the six months ended June 30, 2016.

Fair Value Measurements of Commodity Hedges

The Company has a commodity hedging program to mitigate risks associated with certain commodity price fluctuations. At June 30, 2016, the Company had executed forward contracts that extend through 2016. The counterparty to these contracts is not considered a credit risk by the Company. At June 30, 2016 and December 31, 2015, the notional value associated with forward contracts was $1,540 and $3,080, respectively. The Company recorded, through cost of materials, realized and unrealized net gains of $91 and $34 and for the three and six months ended June 30, 2016, respectively, and realized and unrealized net losses of $244 and $454 for the three and six months ended June 30, 2015, respectively. As of June 30, 2016 and December 31, 2015, all commodity hedge contracts were in a liability position. As of June 30, 2016, the Company had a letter of credit outstanding for $1,100 as collateral for the commodity hedge contracts.

The Company uses information which is representative of readily observable market data when valuing derivative liabilities associated with commodity hedges.

The liabilities measured at fair value on a recurring basis were as follows:

	Level 1	Level 2	Level 3	Total[a]
As of June 30, 2016				
Derivative liability for commodity hedges	$ —	$417	$ —	$417
As of December 31, 2015				
Derivative liability for commodity hedges	$ —	$1,015	$ —	$1,015

[a] As of June 30, 2016 and December 31, 2015 the entire derivative liability for commodity hedges of $417 and $1,015, respectively, are short-term and are included in accrued and other current liabilities in the Condensed Consolidated Balance Sheets.

(9) Stockholders' Equity

Convertible Note Exchange and Conversions of New Convertible Notes

The Company issued 7,863 shares of common stock in May 2016 in connection with the Convertible Note Exchange, and issued an additional 713 shares in June 2016 when New Convertible Notes were converted to common stock. The issuance of these shares was recorded using the fair value of the Company's common stock on the dates the shares were issued, and resulted in an increase in the par value of common stock and additional paid-in capital of $86 and $16,543, respectively. The Company received no cash proceeds from issuing these shares.

Accumulated Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

	June 30, 2016	December 31, 2015
Unrecognized pension and postretirement benefit costs, net of tax	$(16,273)	$ (17,185)
Foreign currency translation losses	(20,100)	(16,636)

Total accumulated other comprehensive loss	$(36,373)	$ (33,821)

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Changes in accumulated other comprehensive loss by component for the three months ended June 30, 2016 and 2015 are as follows:

	Defined Benefit Pension and Postretirement Items		Foreign Currency Items		Total	
	2016	2015	2016	2015	2016	2015
Balance as of April 1,	$(16,729)	$(26,100)	$(16,025)	$(14,308)	$(32,754)	$(40,408)
Other comprehensive loss before reclassifications	—	—	(4,075)	(378)	(4,075)	(378)
Amounts reclassified from accumulated other comprehensive loss, net of tax [a]	456	1,837	—	—	456	1,837
Net current period other comprehensive income (loss)	456	1,837	(4,075)	(378)	(3,619)	1,459
Balance as of June 30,	$(16,273)	$(24,263)	$(20,100)	$(14,686)	$(36,373)	$(38,949)

[a] See reclassifications from accumulated other comprehensive loss table for details of reclassification from accumulated other comprehensive loss for the three month periods ended June 30, 2016 and 2015.

Changes in accumulated other comprehensive loss by component for the six months ended June 30, 2016 and 2015 are as follows:

	Defined Benefit Pension and Postretirement Items		Foreign Currency Items		Total	
	2016	2015	2016	2015	2016	2015
Balance as of January 1,	$(17,185)	$(27,122)	$(16,636)	$(9,994)	$(33,821)	$(37,116)
Other comprehensive loss before reclassifications	—	—	(3,464)	(4,692)	(3,464)	(4,692)
Amounts reclassified from accumulated other comprehensive loss, net of tax [a]	912	2,859	—	—	912	2,859
Net current period other comprehensive income (loss)	912	2,859	(3,464)	(4,692)	(2,552)	(1,833)
Balance as of June 30,	$(16,273)	$(24,263)	$(20,100)	$(14,686)	$(36,373)	$(38,949)

[a] See reclassifications from accumulated other comprehensive loss table for details of reclassification from accumulated other comprehensive loss for the six month periods ended June 30, 2016 and 2015.

Reclassifications from accumulated other comprehensive loss are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Unrecognized pension and postretirement benefit items:				
Prior service cost [b]	$(50)	$(907)	$(100)	$(1,001)
Actuarial loss [b]	(406)	(930)	(812)	(1,858)
Total before tax	(456)	(1,837)	(912)	(2,859)
Tax effect	—	—	—	—
Total reclassifications for the period, net of tax	$(456)	$(1,837)	$(912)	$(2,859)

[b] These accumulated other comprehensive loss components are included in the computation of net periodic pension and postretirement benefit cost included in sales, general and administrative expense.

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(10) Share-based Compensation (stock option amounts below are in thousands)

The Company accounts for its share-based compensation arrangements by recognizing compensation expense for the fair value of the share awards granted ratably over their vesting period. All compensation expense related to share-based compensation arrangements is recorded in sales, general and administrative expense and warehouse, processing and delivery expense. The total share-based compensation expense recognized for the three and six months ended June 30, 2016 was $364 and $566, respectively. The Company recognized income from a change in estimate of future share based compensation expense of $718 and $4 for the three and six months ended June 30, 2015, respectively. The unrecognized compensation cost as of June 30, 2016 associated with all share-based payment arrangements is $2,250 and the weighted average period over which it is to be expensed is 1.4 years.

On February 25, 2016, the Board of Directors of the Company approved the grant of 1,203 non-qualified stock options ("stock options") for executive officers under the Company's 2016 Long-Term Compensation Plan ("2016 LTC Plan"). All stock options awarded under the 2016 LTC Plan are subject to the terms of the 2008 A.M. Castle & Co. Omnibus Incentive Plan, amended and restated as of April 25, 2013.

The stock options vest in three equal installments over three years from the grant date and are exercisable immediately upon vesting. The strike price was equal to the closing price of the Company's stock on the date of grant. The term of the options is 10 years from the date of grant.

The weighted average grant date fair value of $1.12 per share for the options granted under the 2016 LTC Plan for executive officers was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2016
Expected volatility	61.8 %
Risk-free interest rate	1.3 %
Expected life (in years)	6.0
Expected dividend yield	— %

(11) Employee Benefit Plans

Components of the net periodic pension and postretirement benefit cost are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Service cost	$112	$237	$224	$474
Interest cost	1,312	1,795	2,624	3,590
Expected return on assets	(2,035)	(2,317)	(4,070)	(4,634)
Amortization of prior service cost	50	94	100	188
Amortization of actuarial loss	406	929	812	1,857
Curtailment charge	—	3,080	—	3,080
Net periodic pension and postretirement benefit (credit) cost	$(155)	$3,818	$(310)	$4,555
Contributions paid	$—	$—	$—	$—

The Company anticipates making no significant cash contributions to its pension plans in 2016.

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(12) Restructuring Activity

In April 2015, the Company announced a restructuring plan consisting of workforce reductions and the consolidation of more facilities in locations deemed to have redundant operations. In the six months ended June 30, 2016, the Company incurred additional costs associated with the April 2015 restructuring plan which consisted of employee termination and related benefits, moving costs, professional fees and losses on the disposal of fixed assets. In addition, the Company recorded charges of $452 for inventory moved from consolidated plants that was subsequently identified to be scrapped. The inventory charge is reported in cost of materials in the Condensed Consolidated Statement of Operations and Comprehensive Loss for the six months ended June 30, 2016. Substantially all of the April 2015 announced restructuring activities are complete.

In the first quarter of 2016, the Company closed its Houston and Edmonton facilities and sold all the equipment at these facilities to an unrelated third-party. Restructuring activities associated with the strategic decision to close these facilities included employee termination and related benefits, lease termination costs, moving costs associated with exit from the closed facilities, and professional fees at the closed facilities. In the three months ended June 30, 2016, the Company incurred additional lease termination costs associated with closure and subsequent exit from its Edmonton lease.

As a result of its restructuring activities, the Company incurred the following restructuring expenses:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Employee termination and related benefits	$125	$14,252	$678	$14,252
Lease termination costs	561	—	6,706	—
Moving costs associated with plant consolidations	1,260	601	4,395	601
Professional fees	52	765	730	1,596
Loss on disposal of fixed assets	46	—	1,253	—
Total	$2,044	$15,618	$13,762	$16,449

Restructuring reserve activity for the six months ended June 30, 2016 is summarized below:

		Period Activity			
	Balance January 1, 2016	Charges (gains)	Cash receipts (payments)	Non-cash activity	Balance June 30, 2016
Employee termination and related benefits [a]	$ 8,301	$678	$ (3,379)	$—	$ 5,600
Lease termination costs [b][c]	232	6,706	(330)	(4,539)	2,069
Moving costs associated with plant consolidations	—	4,395	(4,395)	—	—
Professional fees	—	730	(730)	—	—
Disposal of fixed assets	—	1,253	2,703	(3,956)	—
Total	$ 8,533	$13,762	$ (6,131)	$ (8,495)	$ 7,669

[a] As of June 30, 2016, the short-term portion of employee termination and related benefits of $100 is included in accrued and other current liabilities in the Condensed Consolidated Balance Sheet and the long-term portion associated with the Company's withdrawal from a multi-employer pension plan of $5,500 is included in other noncurrent liabilities in the Condensed Consolidated Balance Sheet.

[b] Payments on certain of the lease obligations are scheduled to continue until 2020. Market conditions and the Company’s ability to sublease these properties could affect the ultimate charge related to the lease obligations. Any potential recoveries or additional charges could affect amounts reported in the consolidated financial statements of future periods. As of June 30, 2016, the short-term portion of the lease termination costs of $420 are included in accrued and other current liabilities and the long-term portion of the lease termination costs of $1,649 are included in other noncurrent liabilities in the Condensed Consolidated Balance Sheets.

(c) In connection with the closure of the Company's Houston and Edmonton facilities, the Company agreed to sell its fixed assets and to a reduction in future proceeds from the sale of inventory in exchange for the assignment of its remaining lease obligations at its Houston facility resulting in a non-cash charge of $4,539 during the six months ended June 30, 2016.

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(13) Income Taxes

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items. The Company's effective tax rate is expressed as income tax (benefit) expense, which includes tax expense on the Company's share of joint venture earnings, as a percentage of income (loss) from continuing operations before income taxes and equity in earnings (losses) of joint venture.

For the three months ended June 30, 2016, the Company recorded income tax expense of $531 on pre-tax loss from continuing operations before equity in earnings (losses) of joint venture of $16,287, for an effective tax rate of (3.3)%. For the three months ended June 30, 2015, the Company recorded income tax benefit of $14,561 on pre-tax loss from continuing operations before equity in earnings (losses) of joint venture of $62,107, for an effective tax rate of 23.4%. For the six months ended June 30, 2016, the Company recorded income tax expense of $196 on pre-tax loss from continuing operations before equity in earnings (losses) of joint venture of $61,737, for an effective tax rate of (0.3)%. For the six months ended June 30, 2015, the Company recorded income tax benefit of $21,512 on pre-tax loss from continuing operations before equity in earnings (losses) of joint venture of $85,595, for an effective tax rate of 25.1%.

The Company's U.S. statutory rate is 35%. The most significant factors impacting the effective tax rate for the six months ended June 30, 2016 and 2015 were losses in jurisdictions that the Company is not able to benefit due to uncertainty as to the realization of those losses and the impact of intraperiod allocations.

(14) Commitments and Contingent Liabilities

As of June 30, 2016, the Company had $8,738 of irrevocable letters of credit outstanding which primarily consisted of $5,000 for its warehouse in Janesville, Wisconsin, $1,100 for collateral associated with commodity hedges and $1,538 for compliance with the insurance reserve requirements of its workers' compensation insurance program.

The Company is party to a variety of legal proceedings and other claims, including proceedings by government authorities, which arise from the operation of its business. These proceedings are incidental and occur in the normal course of the Company's business affairs. The majority of these claims and proceedings relate to commercial disputes with customers, suppliers, and others; employment, including benefit matters; product quality; and environmental, health and safety claims. It is the opinion of management that the currently expected outcome of these proceedings and claims, after taking into account recorded accruals and the availability and limits of our insurance coverage, will not have a material adverse effect on the consolidated results of operations, financial condition or cash flows of the Company.

(15) Guarantor Financial Information

The Notes are guaranteed by certain 100% directly owned subsidiaries of the Company (the "Guarantors"). The Guarantors include TPI (legal entity and any remaining assets and liabilities subsequent to the sale of the TPI business as discussed in Note 3 - Discontinued Operation) and Keystone Tube Company, LLC, each of which fully and unconditionally guarantee the New Secured Notes on a joint and several basis.

The accompanying financial statements have been prepared and presented pursuant to Rule 3-10 of SEC Regulation S-X "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered." The financial statements present condensed consolidating financial information for A. M. Castle & Co. (the "Parent"), the Guarantors, the non-guarantor subsidiaries (all other subsidiaries) and an elimination column for adjustments to arrive at the information for the Parent, Guarantors, and non-guarantors on a consolidated basis. The condensed consolidating financial information has been prepared on the same basis as the consolidated financial statements of the Parent. The equity method of accounting is followed within this financial information.

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Condensed Consolidating Balance Sheet
As of June 30, 2016

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 1,687	$ —	$ 10,168	$ —	$ 11,855
Accounts receivable, less allowance for doubtful accounts	39,955	9	39,061	—	79,025
Receivables from affiliates	1,216	—	—	(1,216)	—
Inventories	128,706	—	60,746	(68)	189,384
Other current assets	7,060	633	5,955	—	13,648
Total current assets	178,624	642	115,930	(1,284)	293,912
Investment in joint venture	31,550	—	—	—	31,550
Intangible assets, net	7,081	—	98	—	7,179
Other noncurrent assets	11,978	—	5,758	(1,910)	15,826
Receivables from affiliates	123,889	60,879	—	(184,768)	