Metals USA Holdings Corp.
Form S-4/A
December 12, 2007
Table of Contents

As filed with the Securities and Exchange Commission on December 11, 2007

Registration No. 333-146181

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

METALS USA HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Delaware	**5051**	**20-3779274**
(State or other jurisdiction of incorporation)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

One Riverway, Suite 1100

Houston, Texas 77056

(713) 965-0990

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

John A. Hageman

Senior Vice President and Chief Legal Officer

One Riverway, Suite 1100

Houston, Texas 77056

(713) 965-0990

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed exchange offer: As promptly as practicable after the effective date of this registration statement.

If the securities being registered on this Form are offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed Maximum Offering Price per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Senior Floating Rate Toggle Notes due 2012	$550,000,000	100%	$550,000,000	$16,885

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f)(2) promulgated under the Securities Act of 1933.
(2) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.

Table of Contents

Subject to completion, dated December 11, 2007.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Metals USA Holdings Corp.

$300,000,000 aggregate principal amount of our Senior Floating Rate Toggle Notes Due 2012, which have been registered under the Securities Act of 1933, for $300,000,000 aggregate principal amount of our Senior Floating Rate Toggle Notes Due 2012

We hereby offer, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal (which together constitute the exchange offer), to exchange up to $300,000,000 aggregate principal amount of our Senior Floating Rate Toggle Notes Due 2012, which we refer to as the exchange notes, for a like principal amount of our outstanding Senior Floating Rate Toggle Notes Due 2012, which we refer to as the old notes. We refer to the old notes and the exchange notes collectively as the notes. The terms of the exchange notes are identical to the terms of the old notes in all material respects, except for the elimination of some transfer restrictions, registration rights and additional interest provisions relating to the old notes. The exchange notes will be issued under the same indenture as the old notes. See Summary Summary of Terms of the Exchange Notes.

We will exchange any and all old notes that are validly tendered and not validly withdrawn prior to 5:00 p.m. (New York time) on , 2008, unless extended.

We will not receive any cash proceeds from the exchange offer. You will be required to make the representations described on page 37. There is no existing market for the exchange notes to be issued, and we have not applied, and do not intend to apply, for their listing on any securities exchange or automated quotation system.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933, as amended, which we refer to as the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the expiration date of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

See Risk Factors beginning on page 24 of this prospectus for a discussion of risks you should consider before participating in this exchange offer.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is , 2007

TABLE OF CONTENTS

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Until , 2008 (90 days after the date of this prospectus), all dealers effecting transactions in the exchange notes, whether or not participating in this exchange offer, may be required to deliver a prospectus.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the U.S. Securities and Exchange Commission, which we refer to in this prospectus as the SEC, a registration statement on Form S 4 under the Securities Act relating to the exchange offer. This prospectus does not contain all the information in the registration statement. If we have made references in this prospectus to any contracts, agreements or other documents and also filed any of those contracts, agreements or other documents as exhibits to the registration statement, you should read the relevant exhibit for a more complete understanding of the document or the matter involved.

After the registration statement becomes effective, we will file annual, quarterly and current reports and other information with the SEC. You may read and copy any document we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room.

You may obtain copies of the information and documents referenced in this prospectus at no charge by accessing the SEC s website at http://www.sec.gov or by requesting them from us in writing or by telephone at:

Metals USA Holdings Corp.

One Riverway, Suite 1100

Houston, Texas 77056

Attention: Investor Relations

(713) 965-0990 or (888) 871-8701

To obtain timely delivery of any of our filings, agreements or other documents, you must make your request to us no later than , 2008. In the event that we extend the exchange offer, you must submit your request at least five business days before the expiration date of the exchange offer, as extended. We may extend the exchange offer in our sole discretion. See Exchange Offer for more detailed information.

We also maintain an Internet site at http://www.metalsusa.com. **Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which this prospectus forms a part, and you should not rely on any such information in making your decision whether to purchase our securities.**

INDUSTRY AND MARKET DATA

This prospectus includes industry data that we obtained from periodic industry publications and internal company surveys. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. In addition, this prospectus includes market share and industry data that we prepared primarily based on our knowledge of the industry and industry data. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position relative to our competitors are approximated and based on the above-mentioned third-party data and internal analysis and estimates and have not been verified by independent sources. Unless otherwise noted, all information regarding our market share is based on the latest available data, which in some cases may be several years old, and all references to market shares refer to both revenue and volume.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the federal securities laws, which involve risks and uncertainties. You can identify forward-looking statements because they contain words such as believes, expects, may, should, seeks, approximately, intends, plans, or anticipates or similar expressions that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this prospectus.

Important factors that could cause actual results to differ materially from our expectations (cautionary statements) are disclosed under Risk Factors and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements included in this prospectus. All forward-looking information in this prospectus and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:

- our expectations with respect to our acquisition activity;
- our substantial indebtedness described in this prospectus;
- supply, demand, prices and other market conditions for steel and other commodities;
- the timing and extent of changes in commodity prices;
- the effects of competition in our business lines;
- the condition of the steel and metal markets generally, which will be affected by interest rates, foreign currency fluctuations and general economic conditions;
- the ability of our counterparties to satisfy their financial commitments;
- tariffs and other government regulations relating to our products and services;
- operational factors affecting the ongoing commercial operations of our facilities, including catastrophic weather-related damage, regulatory approvals, permit issues, unscheduled blackouts, outages or repairs, unanticipated changes in fuel costs or availability of fuel emission credits or workforce issues;

- the costs of being a public company, including the cost of complying with the Sarbanes-Oxley Act of 2002, which we refer to in this prospectus as Sarbanes-Oxley ;
- our ability to operate our businesses efficiently, manage capital expenditures and costs (including general and administrative expenses) and generate earnings and cash flow; and
- general political conditions and developments in the United States and in foreign countries whose affairs affect supply, demand and markets for steel, metals and metal products.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this prospectus may not in fact occur, and no forward-looking statement can be guaranteed. Accordingly, investors should not place undue reliance on those statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Table of Contents

PROSPECTUS SUMMARY

This is an exchange offer for senior floating rate toggle notes due 2012 of Metals USA Holdings Corp. This summary highlights all material information appearing elsewhere in this prospectus. Because this is a summary, it may not contain all of the information that you should consider before investing in the exchange notes and you should carefully read the entire prospectus, including the financial data and related notes and the information presented under the caption Risk Factors.

Except as otherwise indicated herein or as the context otherwise requires, references in this prospectus to (a) Metals USA Holdings refer only to Metals USA Holdings Corp., which was formerly named Flag Holdings Corporation, excluding its subsidiaries, (b) Metals USA refer only to Metals USA, Inc., excluding its subsidiaries, (c) the company, we, our, and us refer collectively to (1) Metals USA and its subsidiaries on a consolidated basis prior to the consummation of the Merger described below and (2) Metals USA Holdings Corp., which was formerly named Flag Holdings Corporation, Flag Intermediate Holdings Corporation, Metals USA, Inc. and Metals USA, Inc. s subsidiaries on a consolidated basis after the consummation of the Merger described below, (d) the exchange notes refer to the senior floating rate toggle notes due 2012 offered hereby, (e) the old notes refer to our outstanding senior floating rate toggle notes due 2012 for which the exchange notes offered hereby are offered for exchange and (f) the notes refer to both the exchange notes and the old notes.

Our Company

As one of the largest metal services center businesses in the United States, we are a leading provider of value-added processed carbon steel, stainless steel, aluminum, red metals and manufactured metal components. We are an important intermediary between primary metal producers that produce and sell large volumes of metals in a limited number of sizes and configurations and end-users, such as contractors and original equipment manufacturers, which we refer to in this prospectus as OEMs, which often require smaller quantities of more customized products delivered on a just-in-time basis. We earn a margin over the cost of metal based upon value-added processing enhancements, which adds stability to our financial results and significantly reduces our earnings volatility relative to metal producers. In addition to our metals services center activities, we have a building products business that supplies a range of manufactured products to the residential remodeling industry. In May 2006, we completed two acquisitions, which we refer to in this prospectus as the 2006 Acquisitions, to bolster the market position and organic growth of our service center and building products businesses. On July 2, 2007, we completed the acquisition of Lynch Metals, Inc. and Lynch Metals of California, Inc., which we refer to collectively in this prospectus as Lynch Metals. Lynch Metals is a metals service center business that provides specialized aluminum processing capabilities to the aerospace and industrial equipment industries. The combination of Lynch Metals to the Metals USA footprint strengthens the Company s non-ferrous presence in the Eastern and Western United States. We have an active pipeline of additional acquisition targets. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Impacting Comparability of Results 2006 Acquisitions. As of the date of this prospectus, we served more than 18,500 customers annually from 75 operating locations throughout the United States and Canada.

Our business is primarily divided into three operating groups: Plates and Shapes Group; Flat Rolled and Non-Ferrous Group; and Building Products Group.

Plates and Shapes Group (47% of 2006 net sales). We believe we are one of the largest distributors of metal plates and shapes in the United States. We sell products such as wide-flange beams, plate, tubing, angles, bars and other structural shapes in a number of alloy grades and sizes. A substantial number of our products undergo additional processing prior to being delivered to our customers, such as blasting and painting, tee-splitting, cambering/leveling, cutting, sawing, punching, drilling, beveling, surface

1

grinding, bending, shearing and cutting-to-length. We sell the majority of our products to a diversified customer base, including a large number of small customers who purchase products in small order sizes and require just-in-time delivery. Our Plates and Shapes Group customers generally operate in a limited geographic region and are primarily in the fabrication, construction, machinery and equipment, transportation and energy industries. We serve our customers from 21 metals service centers located primarily in the southern and eastern half of the United States with each center close to its metal suppliers and customers. In May 2006, we completed the acquisition of all of the assets and operations of Port City Metal Services Inc., which we refer to in this prospectus as Port City, a high-value-added plates facility located in Tulsa, Oklahoma, that bolsters our presence in the construction and oil-field services sector. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Impacting Comparability of Results 2006 Acquisitions.

Flat Rolled and Non-Ferrous Group (42% of 2006 net sales). The Flat Rolled and Non-Ferrous Group sells a number of products, including carbon and stainless steel, aluminum, brass and copper in a number of alloy grades and sizes. Substantially all of the materials, carbon as well as the non-ferrous materials sold by our Flat Rolled and Non-Ferrous Group, undergo value-added processing including precision blanking, slitting, shearing, cutting-to-length, punching, bending and leveling. Our customers are in the electrical manufacturing, fabrication, furniture, appliance manufacturing, machinery and equipment and transportation industries and include many larger customers (a number of whom purchase through pricing arrangements or contractual agreements) who value the high quality products that we provide together with our customer service and reliability. We serve our customers from 13 metals service centers primarily in the midwestern and southern regions of the United States, that are located near our metal suppliers and our customers. On July 2, 2007, we completed the acquisition of Lynch Metals, a service center business that provides value-added, specialized aluminum processing capabilities to the aerospace and industrial equipment industries. We have focused on increasing the mix of our higher margin non-ferrous sales in recent years. Non-ferrous sales as a percentage of the Flat Rolled and Non-Ferrous Group increased from 32% in 2005 to 39% in 2006 to 49% for the nine months ended September 30, 2007. We expect a similar increasing trend to continue going forward.

Building Products Group (11% of 2006 net sales). The Building Products Group provides diversification to our metal service center business as both its operations and the end-markets that it serves are significantly different from those of our metals services center business. The Building Products Group manufactures and sells sunrooms, roofing products, awnings and solariums for use in residential applications and large area covered canopies, awnings and covered walkways for use in commercial applications. Substantially all of our Building Products Group sales are attributable to the residential remodeling market with the remaining sales attributable to commercial applications. Because our building products business is primarily focused on the residential remodeling market, demand is not directly correlated to housing starts or interest rates, nor are prices generally subject to fluctuations in the demand for or price of metal. Most customers of our Building Products Group are in the home improvement, construction, wholesale trade and building material industries. We generally sell our products through a network of independent distributors and home improvement contractors. We believe we are one of only a few suppliers with national scale across our market segments. We operate through 18 manufacturing locations and 23 sales and distribution facilities throughout the southern and western regions of the United States and Canada. In May 2006, we completed the acquisition of all of the assets and operations of Dura-Loc Roofing Systems Limited (effective June 30, 2007, we changed the trade name to Allmet to better facilitate our marketing objectives), which we refer to in this prospectus as Allmet, a metal roofing manufacturer and distributor with a manufacturing facility located near Toronto, Ontario, Canada that we believe solidifies our position as one of the largest stone-coated metal roofing manufacturers in North America. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Impacting Comparability of Results 2006 Acquisitions.

Table of Contents

Industry Overview

Our operations focus on two industry segments: the metal services center business, which includes the Plates and Shapes Group and the Flat Rolled and Non-Ferrous Group, and the building products segment, which includes our Buildings Products Group.

Metal Service Centers. The metal service center industry is highly fragmented, with as many as 5,000 participants throughout North America, generating in excess of $126.5 billion in net sales in 2006. The industry includes both general line distributors that handle a wide range of metal products and specialty distributors that specialize in particular categories of metal products. We are a general line distributor. Metals services centers accounted for approximately one quarter or more of U.S. steel shipment in 2006 based on volume, a market share that has been relatively constant for the last 15 years.

We believe that both primary metals producers and end-users are increasingly seeking to have their metals processing and inventory management requirements met by value-added metals service centers. Primary metals producers, as they have consolidated, increasingly require metal service centers and processors to perform value-added services for end-customers. As a result, most end-users cannot obtain processed products directly from primary metals producers and therefore over 300,000 OEMs, contractors and fabricators nationwide rely on metal service centers. End-users have also recognized the economic advantages associated with outsourcing their customized metals processing and inventory management requirements. Outsourcing permits end-users to reduce total production costs by shifting the responsibility of pre-production processing to metal service centers, whose higher efficiencies in performing these processing services make the ownership and operation of the necessary equipment more financially feasible.

Value-added metal service centers, including ourselves, have also benefited from growing customer demand for inventory management and just-in-time delivery services. These supply-chain services, which are normally not provided by primary metals producers, enable end-users to reduce input costs, decrease capital required for inventory and equipment and save time, labor and other expenses. Some value-added metal service centers, including us, have installed electronic data interchange between their computer systems and those of their customers to facilitate order entry, inventory management, just-in-time delivery and billing.

In addition, manufacturers appear to be reducing their operating costs by limiting the number of suppliers with which they do business, often eliminating suppliers offering limited ranges of products and services. Customers increasingly seek larger suppliers capable of providing sophisticated processing services, such as marine coatings and precision laser cutting.

Building Products. The residential remodeling industry has experienced significant growth over the last ten years and, we believe, is poised for continued growth in the future. The Joint Center for Housing Studies of Harvard University estimates that homeowners and rental property owners spend approximately $300 billion annually on remodeling their homes, which accounted for approximately 40% of all residential construction and improvement spending in 2005, with projected growth to 47% by 2015. Over the last decade, the industry has experienced stable growth due to a number of different macroeconomic and demographic factors (many of which we expect to continue) including favorable borrowing costs, rising disposable incomes, increased rates of home ownership and aging American houses. Existing-home sales impact the remodeling market as owners improve their homes in preparation for sale, and new-home buyers often undertake significant renovations and remodeling projects within the first few months of ownership. The increase in disposable incomes has been a factor in the rise in home ownership to approximately 68% in 2006 from 55% in 1950. The aging of the domestic home supply is also expected to bolster remodeling sales as the average home in the U.S. is now over 30 years old. As Americans continue to improve and upgrade their homes, we believe an increasing number will turn to remodeling as a cost-effective alternative to new housing construction. The most popular remodeling projects include backyard living items, such as pool enclosures, lattices and patio covers, as well as sunrooms and roofing, all of which we manufacture and distribute.

Table of Contents

Our Competitive Strengths

Our competitive strengths include:

Margin Over Metal Creates Financial Stability. Our metal service centers are an important intermediary between large metal producers and smaller end-users, and this allows us to utilize a cost plus business model. Our cost plus business model allows us to earn a margin over the cost of metal for the value-added processing enhancements we add to our products. As a result, over time, we are able to pass along changes in metal prices to our customers. Given that metal costs typically represent approximately 75% of our net sales, our ability to pass through changes in pricing and our cost plus business model significantly reduce the volatility of our earnings and free cash flow relative to metal producers.

Leading Market Position Provides Platform for Stable Growth. We are one of the leading participants in most of the markets we serve, which gives us an excellent platform to make strategic acquisitions that will further enhance our strong market position. We have 75 operating facilities in total, which are focused by group on specific regions, giving us leading positions in each market in which we participate. The service center and building products industries are both highly fragmented, which we believe will provide us with opportunities to generate meaningful synergies through add-on acquisitions. In late 2005, we established and trained a dedicated acquisitions team that is responsible for identifying, evaluating, executing, integrating and monitoring acquisitions. We completed two acquisitions of companies focusing on higher margin plates and shapes processing and building products in our Plates and Shapes Group and Building Products Group, respectively, in the second quarter of 2006. On July 2, 2007, we completed the acquisition of Lynch Metals, a service center business that provides value-added, specialized aluminum processing capabilities to the aerospace and industrial equipment industries, to expand higher margin non-ferrous sales. We have an active pipeline of additional acquisition opportunities that we continue to explore. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Impacting Comparability of Results 2006 Acquisitions and Risk Factors Risks Related to Our Business We may not successfully implement our acquisition strategy, and acquisitions that we pursue may present unforeseen integration obstacles and costs, increase our leverage and negatively impact our performance.

Diversified Customer Base and End-Markets. Our three groups supply a broad range of products to a large, diversified customer base (over 18,500 customers per year) which serves a variety of end-markets and industries (as set forth in the chart below), including, among others, fabricated metal products, industry machinery and equipment, home improvement and electrical equipment, among others. The automotive sector, where we sell only to primary and secondary parts suppliers, represented less than 4% of our net sales in 2006. No single customer accounted for more than 3% of our net sales in 2006, while our ten largest customers represented less than 11% of our net sales in 2006. We are also diversified on a geographic market basis, with each of our groups focusing on distinct geographic regions, protecting us against regional fluctuations in demand.

Table of Contents

Broad Product Offering with Superior Customer Service. Our broad range of high-quality products and customized value-added services allows us to offer one-stop shopping to our customers, which we believe provides a significant competitive advantage over smaller service centers (which generally stock fewer products than we do). We seek strong relationships with our customers, through regular interaction between our field sales force and our customers, allowing us to better assess their supply chain requirements, offer just-in-time delivery and respond to short lead-time orders. Our ability to provide leading customer service is enhanced by the breadth of our geographic footprint, as a substantial portion of our customers are located within 250 miles of a facility, allowing us to provide critical value-added services with short turnaround times. We believe the quality of our products and timeliness and reliability of our service have resulted in increased customer loyalty and have significantly enhanced our marketing efforts to new customers.

State-of-the-Art Processing Facilities. Our state-of-the-art processing facilities provide a significant advantage over smaller metal service centers that do not have the capital resources to invest in value-added equipment. Over the past several years, we have bolstered our laser and plasma cutting, painting and other value-added capabilities at select locations, further increasing our ability to quickly and efficiently process metals to customer-specified requirements. Our Port City facility further increases our ability to provide high-value-added and technologically advanced plates and shapes processing, while also providing higher margins. We believe our value-added services enable our customers to improve their manufacturing processes while also reducing their total cost of manufacturing.

Strong Relationships with Key Suppliers. We have established strong relationships with large domestic and international metal suppliers. Because we are a significant customer of our major suppliers, we obtain volume discounts and historically have been able to obtain metal materials in periods of tight supply. For instance, our strong relationships and large purchasing volumes enabled us to maintain ample access to metal when supply became constrained during 2004, and again during 2006. Our negotiation of purchase agreements with suppliers is centralized to leverage our buying power and global market insights.

Table of Contents

Skilled Inventory Management. We manage our inventory to minimize our investment in working capital while maintaining sufficient stock to respond quickly to customer orders. Our inventory and processing services are tailored to the needs of the market where a particular service center is located and our metal service centers share inventory with each other, thereby improving inventory management and customer service. All of our groups utilize management information systems and computer-aided manufacturing technology to track and allocate inventory on a real-time basis. These advanced information systems combined with our strong regional footprint allow our metal service centers to lower their overall inventories without limiting our ability to meet our customers needs through the sharing of inventory. We believe that our decentralized inventory management processes, monitored by senior leadership with their global market insights, and our capital structure flexibility have allowed us to react more quickly than most of our competitors to changing metals prices and customer needs, thereby optimizing our use of working capital. Also, due to the countercyclical nature of cash flows in our business, by proactively managing inventory we have been able to generate significant earnings during rising metal price environments and generate significant free cash flow in declining metal price environments.

Experienced and Proven Management Team. We have a seasoned senior management team which, on average, has over 20 years of experience in the metals industry and has a deep understanding of the dynamics between the various levels of the supply chain. Our President, Chief Executive Officer and Chairman, C. Lourenço Gonçalves, has over 25 years of experience in the metals industry, including as Chief Executive Officer of California Steel Industries (the largest U.S. steel slab re-roller), which we refer to in this prospectus as CSI, which had many of the same value chain dynamics as a service center. Under his leadership, we have implemented a number of operational improvements that have significantly improved our performance. We have also continued to attract, add and promote quality management talent. Roger Krohn became president of the Flat Rolled and Non-Ferrous Group in November 2003. Additionally, in December 2005, Robert McPherson became our Chief Financial Officer and Joe Longo and David Martens assumed their responsibilities as the presidents of the Plates and Shapes Group East and of Plates and Shapes Group West, respectively. See Management.

Our Strategy

Our business strategy includes focusing on the following:

Increase Our Market Share of Higher Margin Products. We will maintain our focus on selling higher margin products such as non-ferrous metals, as well as products that require significant value-added processing or that are highly customized. This focus will enable us to further leverage our state-of-the-art processing facilities and provide higher margin value-added processing functions such as precision blanking, laser and plasma cutting and painting. We believe this will also enable us to fulfill a greater proportion of our customers processing requirements and lead to an increased stability in the demand for our products and services. Our recent acquisitions, completed in May 2006 and July 2007, further this goal.

Expand Value-Added Services Provided to Customers. We are focused on expanding the range of our value-added services that we offer to enhance our relationships with existing customers and to build new customer relationships. We believe customers recognize the benefit from our ability to provide value-added services, including our new supply chain solutions, and that there are significant opportunities to expand the range of such services in areas such as processing equipment, inventory management and logistics systems. We believe that our size, organizational structure and operating expertise enable us to better provide these value-added services and further differentiate ourselves from smaller metal service centers.

Table of Contents

Execute Strategic Acquisitions to Improve Market Position. We will continue to look for value-added businesses that we can acquire at reasonable prices. To drive this effort in late 2005, we combined experienced metals industry veterans and deal professionals to form a dedicated acquisitions team. The team identified and closed two acquisitions in 2006 that have bolstered our position in the Plates and Shapes market in the south-central United States and the Building Products market in the northeastern United States. We believe that we were able to acquire these two businesses at reasonable prices. Both of these businesses have already generated meaningful strategic and financial synergies. In addition, we recently closed the acquisition of Lynch Metals in July 2007 that will increase our non-ferrous presence in the Eastern and Western United States, and which we believe will also generate significant strategic and financial synergies. Our acquisitions team is currently evaluating several additional transactions which we believe complement the higher margin and fastest growing portions of our business. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Impacting Comparability of Results 2006 Acquisitions and Risk Factors Risks Related to Our Business We may not successfully implement our acquisition strategy, and acquisitions that we pursue may present unforeseen integration obstacles and costs, increase our leverage and negatively impact our performance.

Capitalize on Changing Market Dynamics and Increasing Demands. As one of the largest metal service centers in the U.S., we intend to use our significant resources to leverage the opportunities presented by the consolidation of steel producers and the fragmentation of our customer base. Steel producers continue to seek long-term relationships with metal service centers that have access to numerous customers, while customers are seeking relationships with metal service centers that can provide a reliable source of high-quality products combined with value-added services. In light of current economic conditions, we believe that demand for products manufactured by our customers will be robust. This increase in end-market demand will drive increased sales of our products and, when combined with the initiatives we have proactively taken to increase the value-added nature of our product mix, is expected to further enhance our profitability and free cash flow.

Maintain Strong Focus on Inventory Management. We will continue managing our inventory to maximize our profitability and cash flow while maintaining sufficient inventory to respond quickly to customer orders. In addition, we intend to further integrate our salespeople and operating employees into the operations of our customers to enhance our visibility into in-process orders and allow us to further improve our just-in-time delivery and customer service.

Continue to Focus on Improving the Performance of Our Building Products Group. In August 2004, our Building Products Group undertook a restructuring to focus the Building Products Group on the steadily growing residential remodeling market. As part of the restructuring, we closed 11 underperforming sales locations, expanded our production capabilities and reduced the operating cost structure of the group. During 2006, we conducted comprehensive reviews of the Building Products Group business operations in an effort to further identify ways in which the group could operate more profitably and cost effectively. In connection with these reviews, we implemented a number of changes during late 2006 and early 2007, including a change in management and management structure, streamlining manufacturing facilities and processes, improving service center operations, closing underperforming locations (three in late 2006), increasing our sales efforts through new lead generation programs, targeting new, larger and more profitable customers and increasing on-the-ground sales personnel.

Table of Contents

Risk Factors

Metals USA Holdings is a holding company and does not have any material assets or operations other than ownership of the capital stock of Flag Intermediate Holdings Corporation, a Delaware corporation, which we refer to in this prospectus as Flag Intermediate, and which is a wholly owned subsidiary of Metals USA Holdings. Flag Intermediate is also a holding company and does not have any material assets or operations other than ownership of the capital stock of Metals USA. All of the operations of Metals USA Holdings are conducted through its subsidiaries. Claims of creditors of such subsidiaries, including trade creditors, and claims of preferred stockholders (if any) of such subsidiaries generally will have priority with respect to the assets and earnings of such subsidiaries over the claims of our creditors, including holders of the notes. In addition, Metals USA Holdings ability to execute on its strategy is subject to substantial risks. These and other risks described under the heading Risk Factors immediately following this summary may cause us not to realize the full benefits of our strengths or may cause us to be unable to successfully execute all or part of our strategy, as well as impact Metals USA Holdings ability to service the notes. You should consider carefully all the information in this prospectus, including matters set forth under the heading Risk Factors.

The Apollo Transactions

On November 30, 2005, Flag Acquisition Corporation, a Delaware corporation, which we refer to in this prospectus as Flag Acquisition, which in turn was a wholly owned subsidiary of Metals USA Holdings Corp., merged with and into Metals USA, with Metals USA as the surviving company. The merger is referred to in this prospectus as the Merger. Metals USA is wholly owned by Flag Intermediate, which in turn is a wholly owned subsidiary of Metals USA Holdings Corp. Metals USA Holdings Corp. was formed by Apollo Management V, L.P. (which we refer to in this prospectus as Apollo Management and, together with its affiliated investment management entities, as Apollo) solely for the purpose of consummating the Merger, and it has no assets, obligations, employees or operations other than those resulting from the Merger and the old notes. All of our operations are conducted by Metals USA.

In connection with the Merger, (a) Metals USA entered into a six-year $450.0 million senior secured asset-based revolving credit facility at the effective time of the Merger, which we refer to in this prospectus as the ABL facility, and (b) Flag Acquisition Corporation completed a private placement of $275.0 million aggregate principal amount of its 11 1/8% senior secured notes due 2015, and Metals USA, pursuant to the Merger, assumed all liabilities of Flag Acquisition pursuant to those notes. In September 2006, Metals USA exchanged $275.0 million aggregate principal amount of 11 1/8% senior secured notes due 2015 that were registered under the Securities Act of 1933, as amended, which we refer to in this prospectus as the Securities Act, for an equal principal amount of the notes issued in connection with the Merger. In this prospectus, we refer to both the notes issued in connection with the Merger and the notes that were registered under the exchange offer as the Metals USA notes.

In addition, at the effective time of the Merger, Apollo and certain members of management of Metals USA contributed $140.0 million to Metals USA Holdings Corp., in exchange for common stock of Metals USA Holdings Corp. The proceeds from the issuance of the Metals USA notes, borrowings under the ABL facility and the equity investment by Apollo and our management members were used to pay the merger consideration to the previous equity holders of Metals USA to pay down certain existing debt of Metals USA and to pay transaction expenses related to the Merger, including $6.0 million of transaction fees paid to Apollo. The issuance and exchange of the Metals USA notes, the borrowings under the ABL facility on the date of the Merger, the equity investment by Apollo and our management members, the Merger and other related transactions are collectively referred to in this prospectus as the Apollo Transactions. For a more complete description of the Apollo Transactions, see Ownership and Corporate Structure, Description of the Apollo Transaction, and Description of Certain Indebtedness.

Table of Contents

Ownership and Corporate Structure

The following diagram sets forth our ownership and corporate structure as of September 30, 2007. The diagram below does not display all of our subsidiaries.

(1) The ABL facility provides for up to $525.0 million of senior secured revolving credit borrowings and letters of credit, subject to a borrowing base determined primarily by the value of Flag Intermediate s eligible receivables and eligible inventory, subject to certain reserves. As of September 30, 2007, we had eligible collateral of $468.1 million, facility size of $525.0 million, $300.0 million in outstanding advances, $15.5 million in open letters of credit and $145.0 million in additional borrowing capacity.

(2) The Metals USA notes are guaranteed on a senior secured basis by Flag Intermediate and certain of Metal USA s domestic subsidiaries. The Metals USA notes and the related guarantees are secured on a first-priority lien basis by substantially all of the assets (other than accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto) of Metals USA and the guarantors and on a second-priority lien basis by the accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto of Metals USA and the guarantors.

(3) Consists of an Industrial Revenue Bond, which we refer to in this prospectus as an IRB, with $5.7 million principal amount outstanding as of September 30, 2007, which is payable on May 1, 2016 in one lump-sum payment, a note payable in the amount of $3.8 million recorded in connection with the Lynch Metals acquisition, and $0.4 million in vendor financing and purchase money notes.

Use of Proceeds

We will not receive any cash proceeds from the issuance of the exchange notes. In consideration for issuing the exchange notes, we will receive in exchange the old notes in like principal amount, which will be cancelled and as such will not result in any increase in our indebtedness.

Table of Contents

Principal Stockholder

Founded in 1990, Apollo is a leading private equity and capital markets investor with more than 17 years of experience investing across the capital structure of leveraged companies. The firm employs more than 100 professionals and has offices in New York, Los Angeles, London and Singapore. Since its inception, Apollo has managed more than $33 billion of capital across a wide variety of industries both domestically and internationally. Companies owned or controlled by Apollo Management, L.P. or in which Apollo Management, L.P. or its affiliates have a significant equity investment include, among others, Rexnord Holdings, Inc., Realogy Corporation, CEVA Group Plc, Verso, Momentive Performance Materials, Berry Plastics Group, Hexion Specialty Chemicals, Inc., Affinion Group Holdings and Noranda Aluminum Holding Corporation.

Metals USA Holdings and Metals USA

Metals USA Holdings Corp., which was formerly named Flag Holdings Corporation, was incorporated in Delaware on May 9, 2005. The principal executive offices of Metals USA Holdings Corp. are at One Riverway, Suite 1100, Houston, Texas 77056, and the telephone number there is (713) 965-0990.

We also maintain an internet site at http://www.metalsusa.com. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which this prospectus forms a part, and you should not rely on any such information in making your decision whether to purchase our securities.

Metals USA was incorporated in Delaware on July 3, 1996, and began operations upon completion of an initial public offering on July 11, 1997. On November 14, 2001, Metals USA filed for voluntary protection from its creditors under Chapter 11 of the United States Bankruptcy laws. It emerged from bankruptcy on October 31, 2002. Metals USA Holdings acquired Metals USA on November 30, 2005.

Table of Contents

Summary of Terms of the Exchange Offer

In connection with the issuance of the old notes, we entered into a registration rights agreement with the initial purchasers of the old notes. Under the registration rights agreement, we agreed to deliver to you this prospectus by February 5, 2008, and to consummate the exchange offer by June 4, 2008. In the exchange offer you are entitled to exchange your old notes for exchange notes, which are identical in all material respects to the old notes except that:

- the exchange notes have been registered under the Securities Act and will be freely tradable by persons who are not affiliated with us;
- the exchange notes are not entitled to the registration rights that are applicable to the old notes under the registration rights agreement; and
- our obligation to pay additional interest on the old notes if the exchange offer is not consummated by June 4, 2008 does not apply to the exchange notes.

The exchange offer	We are offering to exchange up to $300,000,000 aggregate principal amount of our registered Senior Floating Rate Toggle Notes Due 2012, for a like principal amount of our Senior Floating Rate Toggle Notes Due 2012, which were issued on July 10, 2007. Old notes may be exchanged only in denominations of $2,000 and any integral multiples of $1,000 in excess of $2,000.
Resales	Based on an interpretation by the staff of the SEC, set forth in no-action letters issued to third parties, we believe that the exchange notes issued pursuant to the exchange offer in exchange for old notes may be offered for resale, resold and otherwise transferred by you (unless you are our affiliate as defined in Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that you:

- are acquiring the exchange notes in the ordinary course of business; and
- have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person or entity, including any of our affiliates, to participate in, a distribution of the exchange notes.

In addition, each participating broker-dealer that receives exchange notes for its own account pursuant to the exchange offer in exchange for old notes that were acquired as a result of market-making or other trading activity must also acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. For more information, see Plan of Distribution.

Any holder of old notes, including any broker-dealer, who

- is our affiliate;
- does not acquire the exchange notes in the ordinary course of its business; or

tenders in the exchange offer with the intention to participate, or for the purpose of participating, in a distribution of exchange notes;

11

	cannot rely on the position of the staff of the SEC expressed in Exxon Capital Holdings Corporation, Morgan Stanley & Co., Incorporated or similar no-action letters and, in the absence of an exemption, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale of the exchange notes.
Expiration date; withdrawal of tenders	The exchange offer will expire at 5:00 p.m. (New York City time) on , 2008, or such later date and time to which we extend it. We do not currently intend to extend the expiration date. A tender of old notes pursuant to the exchange offer may be withdrawn at any time prior to the expiration date. Any old notes not accepted for exchange for any reason will be returned without expense to the tendering holder promptly after the expiration or termination of the exchange offer.
Conditions to the exchange offer	The exchange offer is subject to customary conditions, some of which we may waive. For more information, see The Exchange Offer Certain Conditions to the Exchange Offer.
Procedures for tendering old notes	If you wish to accept the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a copy of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must also mail or otherwise deliver the letter of transmittal, or the copy, together with the old notes and any other required documents, to the exchange agent at the address set forth on the cover of the letter of transmittal. If you hold old notes through The Depository Trust Company, or DTC, and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program procedures of DTC, by which you will agree to be bound by the letter of transmittal.
	By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- any exchange notes that you receive will be acquired in the ordinary course of your business;
- you have no arrangement or understanding with any person or entity, including any of our affiliates, to participate in the distribution of the exchange notes;
- if you are a broker-dealer that will receive exchange notes for your own account in exchange for old notes that were acquired as a result of market-making activities, that you will deliver a prospectus, as required by law, in connection with any resale of the exchange notes; and
- you are not our affiliate as defined in Rule 405 under the Securities Act, or, if you are an affiliate, you will comply with any applicable registration and prospectus delivery requirements of the Securities Act.

Table of Contents

Shelf registration statement	We will use our commercially reasonable efforts to cause the SEC to declare effective a shelf registration statement with respect to the resale of the old notes and to keep the shelf registration statement effective up to two years after the effective date of the shelf registration statement. These circumstances include: if the exchange offer is not permitted by applicable law or SEC policy; if the exchange offer has not been consummated on or before June 4, 2008; if any initial purchaser so requests on or prior to the 60th day after the consummation of the registered exchange offer with respect to the old notes not eligible to be exchanged for the exchange notes and held by it following the consummation of the exchange offer; or if any holder that participates in the exchange offer does not receive freely transferable exchange notes in exchange for tendered old notes and so requests on or prior to the 60th day after the consummation of the registered exchange offer. We expect to file a shelf registration statement on Form S-1 contemporaneously with the effectiveness of this exchange offer pursuant to which Apollo may sell all or a portion of any notes it holds in the market.
Guaranteed delivery procedures	If you wish to tender your old notes, and your old notes are not immediately available or you cannot deliver your old notes, the letter of transmittal or any other documents required by the letter of transmittal or comply with the applicable procedures under DTC s Automated Tender Offer Program prior to the expiration date, you must tender your old notes according to the guaranteed delivery procedures set forth in this prospectus under The Exchange Offer Guaranteed Delivery Procedures.
Effect on holders of old notes	As a result of the making of, and upon acceptance for exchange of all validly tendered old notes pursuant to the terms of, the exchange offer, we will have fulfilled a covenant contained in the registration rights agreement and, accordingly, we will not be obligated to pay additional interest as described in the registration rights agreement. If you are a holder of old notes and do not tender your old notes in the exchange offer, you will continue to hold such old notes, and you will be entitled to all the rights and limitations applicable to the old notes in the Indenture dated as of July 10, 2007, which we refer to in this prospectus as the Indenture or the indenture, except for any rights under the registration rights agreement that by their terms terminate upon the consummation of the exchange offer.
Consequences of failure to exchange	All untendered old notes will continue to be subject to the restrictions on transfer provided for in the old notes and in the indenture. In general, the old notes may not be offered or sold unless registered

	under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offer and as described in Shelf registration statement above, we do not currently anticipate that we will register the old notes under the Securities Act.
Material United States federal income tax consequences	The exchange of old notes for exchange notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. For more information, see Material United States Federal Income Tax Consequences.
Use of proceeds	We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offer.
Exchange agent	Wells Fargo Bank, N.A. is the exchange agent for the exchange offer. The address and telephone number of the exchange agent are set forth in the section captioned The Exchange Offer Exchange Agent.

Table of Contents

Summary of Terms of the Exchange Notes

The following summary highlights all material information contained elsewhere in this prospectus but does not contain all the information that you should consider before participating in the exchange offer. The Description of the Notes section contains a more detailed description of the terms and conditions of the exchange notes. We urge you to read this entire prospectus, including the Risk Factors section and the consolidated financial statements and related notes.

In the exchange offer you are entitled to exchange your old notes for exchange notes, which are identical in all material respects to the old notes except that:

- the exchange notes have been registered under the Securities Act and will be freely tradable by persons who are not affiliated with us;
- the exchange notes are not entitled to the registration rights that are applicable to the old notes under the registration rights agreement; and
- our obligation to pay additional interest on the old notes if the exchange offer is not consummated by June 4, 2008 does not apply to the exchange notes.

Issuer	Metals USA Holdings Corp.
Securities Offered	$300,000,000 initial aggregate principal amount of Senior Floating Rate Toggle Notes Due 2012.
Maturity Date	The exchange notes mature on July 1, 2012.
Interest Payment Dates	Interest on the exchange notes will be paid January 1, April 1, July 1 and October 1, commencing on October 1, 2007.
Interest	Cash interest on the exchange notes will accrue at a rate per annum, reset quarterly, equal to the London Interbank Offered Rate, which we refer to in this prospectus as LIBOR, plus the Spread (as defined below), and PIK Payment Interest (as defined below), if any, will accrue at a rate per annum, reset quarterly, equal to LIBOR plus 0.75% plus the Spread. The Spread means the amount equal to 6.00% plus (1) 0.25% for each interest period commencing on or after the first anniversary of the date of issuance of the old notes and prior to the second anniversary, (2) 0.50% for each interest period commencing on or after the second anniversary of the date of issuance of the old notes and prior to the third anniversary, and (3) 0.75% for each interest period commencing on or after the third anniversary of the date of issuance of the old notes. The initial four interest payments on the notes will be payable solely in cash. For any interest period thereafter, we may elect to pay interest (1) entirely in cash, (2) entirely by increasing the principal amount of the exchange notes or issuing new notes, which we refer to in this prospectus as the PIK Interest, or (3) on 50% of the outstanding principal amount of the notes in cash and on 50% of the outstanding principal amount of the notes, by increasing the principal amount of the outstanding notes or by issuing new notes, which we refer to in this prospectus as the Partial PIK Interest ; PIK Interest and Partial PIK Interest are each referred to

herein as the PIK Payment. If we elect to make a PIK Payment, we will increase the principal amount of the exchange notes or issue new notes in an amount equal to the

Table of Contents

amount of the PIK Payment for the applicable interest payment period to holders of the exchange notes on the relevant record date. The exchange notes contain the word toggle in their title to highlight to investors that we have the ability to toggle, or switch back and forth, among paying interest in cash, in kind, or 50% in cash and 50% in kind, pursuant to the terms and conditions described in more detail above.

Guarantees	The exchange notes, like the old notes, will not be guaranteed by any of Metals USA Holdings subsidiaries.
Ranking	The exchange notes, like the old notes, will be Metals USA Holdings senior unsecured obligations. The indebtedness evidenced by the notes will rank: equally with all of Metals USA Holdings existing and future senior indebtedness; senior to all of Metals USA Holdings existing and future subordinated indebtedness; and structurally subordinated to all indebtedness and other liabilities (including trade payables) of Metals USA Holdings subsidiaries. As of September 30, 2007 Metals USA Holdings had $866.4 million of senior indebtedness (consisting of $300.0 million of advances under the ABL facility, $275.0 million of Metals USA notes, and $291.4 million of the old notes outstanding); and Metals USA Holdings subsidiaries had approximately $818.4 million in total liabilities (excluding unused commitments). See Description of the Notes Ranking.
Optional Redemption	On and after January 15, 2008, Metals USA Holdings may redeem some or all of the exchange notes at any time at the respective redemption prices described in this prospectus, plus accrued and unpaid interest and additional interest, if any, to the redemption date.
Change of Control	If Metals USA Holdings experiences a change of control and does not redeem the exchange notes, it will be required to make an offer to repurchase the exchange notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.
Repurchase Offer upon Certain Equity Offerings	

If Metals USA Holdings makes certain public offerings, sales or issuances of common stock, and does not redeem the exchange notes, it will be required to make an offer to repurchase the maximum principal amount of exchange notes that may be purchased out of the proceeds thereof, at a price equal to 100% of the principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

Table of Contents

Restrictive Covenants	The indenture governing the exchange notes contains covenants that, among other things, limit Metals USA Holdings ability and the ability of certain of its subsidiaries to:

- incur or guarantee additional indebtedness or issue disqualified or preferred stock;
- repurchase or redeem capital stock or subordinated indebtedness;
- pay dividends or make distributions to our stockholders;
- incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us;
- transfer or sell assets;
- create liens;
- enter into transactions with our affiliates;
- make investments or acquisitions; and
- merge or consolidate with other companies or transfer all or substantially all of our assets.

These covenants are subject to a number of important limitations and exceptions as described under Description of the Notes Certain Covenants.

Table of Contents

SUMMARY HISTORICAL CONSOLIDATED AND

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA

Set forth below are summary historical consolidated financial data and summary unaudited pro forma condensed consolidated financial data of our business, as of the dates and for the periods indicated. The summary historical consolidated financial data for the year ended December 31, 2004 and for the period from January 1, 2005 to November 30, 2005 for the Predecessor Company discussed below, and as of December 31, 2005 and for the period from May 9, 2005 (date of inception) to December 31, 2005 and as of December 31, 2006 and for the year ended December 31, 2006 for the Successor Company discussed below have been derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. The Successor Company had no assets and conducted no operations from May 9, 2005 (date of inception) to November 30, 2005. The summary historical consolidated financial data as of December 31, 2004 presented in this table have been derived from our audited consolidated financial statements not included in this prospectus. The summary historical consolidated financial data as of September 30, 2007 and for the nine months ended September 30, 2006 and 2007 have been derived from our unaudited consolidated financial statements which are included elsewhere in this prospectus. The September 30, 2006 and 2007 unaudited financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of any interim period are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year, and the historical results set forth below do not necessarily indicate results expected for any future period.

The summary unaudited pro forma condensed consolidated statements of operations and other financial data for the year ended December 31, 2006 give effect to additional borrowings in connection with the $25.0 million dividend paid to Metals USA Holdings stockholders in May 2006, which we refer to in this prospectus as the May 2006 dividend, the offering of the $150.0 million initial aggregate principal amount 2006 notes and the application of the net proceeds from the offering of the 2006 notes to pay a cash dividend of approximately $144.8 million to Metals USA Holdings stockholders, which include Apollo and certain members of its management, and to make a cash payment (partially in lieu of a cash dividend) of $4.2 million to its vested stock option holders, which include its directors and certain members of management, which we refer to, collectively, as the January 2007 dividend, the additional borrowings in connection with the June 2007 amendment to the ABL facility, as well as the offering of the old notes and the use of the proceeds therefrom as if they occurred on January 1, 2006. The summary unaudited pro forma condensed consolidated statements of operations and other financial data for the nine months ended September 30, 2007 give effect to additional borrowings in connection with the June 2007 amendment to the ABL facility, as well as the offering of the old notes and the use of the proceeds therefrom as if they also occurred on January 1, 2006.

The summary unaudited pro forma condensed consolidated financial data are for informational purposes only and do not purport to represent what our results of operations actually would have been if the May 2006 dividend, the offering of the 2006 notes and the application of the net proceeds from the offering of the 2006 notes to pay the January 2007 dividend and the additional borrowings in connection with the June 2007 amendment to the ABL facility had occurred at any date, and such data do not purport to project the results of operations for any future period.

After the consummation of the Apollo Transactions, Metals USA Holdings, along with its consolidated subsidiaries, are referred to collectively in this prospectus as the Successor Company. Prior to the consummation of the Transactions, Metals USA, along with its consolidated subsidiaries, is referred to collectively in this prospectus as the Predecessor Company. We applied Statement of Financial Accounting Standards No. 141, Business Combinations, which we refer to in this prospectus as SFAS 141, on

Table of Contents

November 30, 2005, or the closing date of the Merger, and, as a result, the Merger consideration was allocated to the respective fair values of the assets acquired and liabilities assumed from the Predecessor Company. As a result of the application of purchase accounting, the Successor Company balances and amounts presented in the consolidated financial statements and footnotes are not comparable with those of the Predecessor Company.

As a result of purchase accounting for the Apollo Transactions, the Merger consideration was allocated to the respective fair values of the assets acquired and liabilities assumed from the Predecessor Company. The fair value of inventories, property and equipment and intangibles (customer lists) were increased by $14.9 million, $118.6 million and $22.2 million, respectively. For the one-month period ended December 31, 2005, the Successor Company s operating costs and expenses increased by $5.2 million ($4.1 million for cost of sales and $1.1 million of additional depreciation and amortization) as the inventory was sold and additional depreciation and amortization was recorded. For the year ended December 31, 2006, the Successor Company s operating costs and expenses increased by $23.9 million ($10.8 million for cost of sales and $13.1 million of additional depreciation and amortization) as the inventory was sold and additional depreciation and amortization was recorded.

The summary historical consolidated and unaudited pro forma condensed consolidated financial data should be read in conjunction with Unaudited Pro Forma Condensed Consolidated Financial Information, Selected Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and our consolidated financial statements and related notes included elsewhere in this prospectus.

Table of Contents

	Historical				Pro Forma	Historical		Pro Forma
	Predecessor Company		Successor Company					
	Year Ended December 31, 2004	Period from January 1 to November 30, 2005	Period from May 9 (Date of Inception) to December 31, 2005	Year Ended December 31, 2006	2006	Nine Months Ended September 30, 2006	2007	2007
	(dollars in millions)							
Operations data:								
Net sales	$ 1,509.8	$ 1,522.1	$ 116.9	$ 1,802.9	$ 1,802.9	$ 1,365.4	$ 1,413.1	$ 1,413.1
Costs and expenses:								
Cost of sales (exclusive of operating and delivery, and depreciation and amortization shown below)	1,080.1	1,189.3	92.5	1,371.8	1,371.8	1,038.6	1,083.2	1,083.2
Operating and delivery	144.4	139.1	12.8	175.5	175.5	131.2	133.6	133.6
Selling, general and administrative	109.6	108.5	9.3	115.2	115.4	87.3	86.5	86.5
Depreciation and amortization(a)	2.0	3.1	1.4	21.4	21.4	13.4	15.5	15.5
Impairment of property and equipment							0.2	0.2
Operating income (loss)	173.7	82.1	0.9	119.0	118.8	95.0	94.1	94.1
Interest expense	8.4	12.0	4.1	54.6	93.5	39.6	63.7	80.9
Loss on debt extinguishment							8.4	8.4
Other (income) expense	(2.5)	(0.1)		(0.7)	(0.7)	(0.5)	(0.8)	(0.8)
Income (loss) before taxes	167.8	70.2	(3.2)	65.1	26.0	55.9	22.8	5.6
Provision (benefit) for income taxes	63.3	26.7	(1.2)	25.8	10.6	22.6	10.7	4.0
Net income (loss)	$ 104.5	$ 43.5	$ (2.0)	$ 39.3	$ 15.4	$ 33.3	$ 12.1	$ 1.6
Cash flow data:								
Cash flows provided by (used in) operating activities	$ (128.6)	$ 170.1	$ 7.3	$ (45.7)	N/A	(51.2)	98.2	N/A
Cash flows provided by (used in) investing activities	(16.0)	(15.8)	(434.5)	(61.0)	N/A	(56.8)	(53.4)	N/A
Cash flows provided by (used in) financing activities	145.8	(120.7)	438.5	251.2	N/A	108.5	(183.3)	N/A
Other operating data:								
Shipments (in thousands of tons)	1,502	1,332	107	1,505	1,505	1,152	1,085	1,085
Capital expenditures	17.4	15.9	4.4	16.9	16.9	11.1	16.0	16.0
Other financial data:								
Deficiency of earnings to fixed charges			$ 3.2(b)					
Ratio of earnings to fixed charges(c)	13.3x	5.1x	0.3x(b)	2.1x	1.3x	2.3x	1.3x	1.1x
Debt covenant compliance								
EBITDA(d)	$ 175.7	$ 85.6	$ 2.4	$ 141.6	$ 141.4	$ 109.2	$ 110.7	$ 110.7
Adjusted EBITDA(d)	$ 180.7	$ 101.6	$ 7.0	$ 156.2	$ 159.9	$ 121.9	$ 116.3	$ 116.3

Table of Contents

	Historical			
	Predecessor Company	Successor Company		
	As of December 31,			As of September 30,
	2004	2005	2006	2007
	(in millions)			
Balance sheet data:				
Cash	$ 12.6	$ 11.3	$ 155.8	$ 17.3
Total assets	710.0	795.3	1,127.0	990.2
Total debt	270.6	473.5	755.4	876.3
Total liabilities	381.8	662.9	979.4	1,117.9
Stockholders equity (deficit)	328.2	132.4	147.6	(127.7)

(a) Excludes depreciation expense reflected in cost of sales for the Building Products Group.

(b) The ratio of earnings to fixed charges for the combined Predecessor Company for the period from January 1, 2005 to November 30, 2005 and the Successor Company for the period from May 9, 2005 (Date of Inception) to December 31, 2005 was 4.1x.

(c) For the purposes of calculating the ratio of earnings to fixed charges, earnings represent income (loss) before income taxes and discontinued operations plus fixed charges. Fixed charges consist of financing costs and the portion of operational rental expense which management believes is representative of interest within rent expense.

(d) EBITDA is defined as net income (loss) before interest, taxes, depreciation and amortization and is used by management, together with Adjusted EBITDA, as a measure for certain performance-based bonus plans. Adjusted EBITDA, as contemplated by our credit documents, is used by our lenders for debt covenant compliance purposes. Adjusted EBITDA is EBITDA adjusted to eliminate management fees to related parties, one-time, non-recurring charges related to the use of purchase accounting, and other non-cash income or expenses, which are more particularly defined in our credit documents and the indenture governing the notes. Our credit documents and the indenture governing the notes require us to meet or exceed specified minimum financial measures before we will be permitted to consummate certain acts, such as complete acquisitions, declare or pay dividends and incur additional indebtedness, and one of the more significant measures contained in our credit documents and the indenture governing the notes is Adjusted EBITDA. We have presented Adjusted EBITDA on a pro forma basis since management plans on using Adjusted EBITDA as a benchmark for developing its ongoing measures for performance-based bonus plans and because our lenders plan on using Adjusted EBITDA in the manner described above. We believe that pro forma EBITDA and Adjusted EBITDA are more representative of our performance, since they give the full year effect to the recent acquisitions. We also believe that EBITDA and Adjusted EBITDA are useful to investors because the measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry. EBITDA and Adjusted EBITDA are not recognized terms under generally accepted accounting principles, which we refer to in this prospectus as GAAP, should not be viewed in isolation and do not purport to be an alternative to net income as an indicator of operating performance or cash flows from operating activities as a measure of liquidity. There are material limitations associated with making the adjustments to our earnings to calculate EBITDA and Adjusted EBITDA and using these non-GAAP financial measures as compared to the most directly comparable U.S. GAAP financial measures. For instance, EBITDA and Adjusted EBITDA do not include:

- interest expense, and, because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate revenue;

- depreciation and amortization expense, and, because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate revenue; and

- tax expense, and, because the payment of taxes is part of our operations, tax expense is a necessary element of our costs and ability to operate.

Table of Contents

Additionally, neither EBITDA nor Adjusted EBITDA is intended to be a measure of free cash flow for management s discretionary use, as neither considers certain cash requirements, such as capital expenditures, contractual commitments, interest payments, tax payments and debt service requirements. Because not all companies use identical calculations, this presentation of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures for other companies.

Below is a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA.

	Historical				Pro Forma	Historical		Pro Forma
	Predecessor Company		Successor Company					
	Year Ended December 31, 2004	Period from January 1, to November 30, 2005	Period from May 9 (Date of Inception) to December 31, 2005	Year Ended December 31, 2006	2006	Nine Months Ended September 30, 2006	2007	2007
				(dollars in millions)				
Net income (loss)	$ 104.5	$ 43.5	$ (2.0)	$ 39.3	$ 15.4	$ 33.3	$ 12.1	$ 1.6
Depreciation and amortization	2.0	3.5	1.5	22.6	22.6	14.2	16.6	16.6
Interest expense	8.4	12.0	4.1	54.6	93.5	39.6	63.7	80.9
Loss on extinguishment of debt							8.4	8.4
Provision (benefit) for income taxes	63.3	26.7	(1.2)	25.8	10.6	22.6	10.7	4.0
Other (income) expense	(2.5)	(0.1)		(0.7)	(0.7)	(0.5)	(0.8)	(0.8)
EBITDA	175.7	85.6	2.4	141.6	141.4	109.2	110.7	110.7
Indenture covenant defined adjustments:								
Inventory purchase adjustments(1)			4.1	10.8	10.8	10.8		
Stock options and grant expense(2)		15.0	0.4	1.2	1.4	1.0	4.5	4.5
Write-off prepaid expenses as result of Merger(3)		0.3						
Effect of acquisitions(4)					3.7			
Facilities closure(5)	5.0			1.4	1.4		0.2	0.2
Severance costs(6)		0.7						
Management fees(7)			0.1	1.2	1.2	0.9	0.9	0.9
Adjusted EBITDA	$ 180.7	$ 101.6	$ 7.0	$ 156.2	$ 159.9	$ 121.9	$ 116.3	$ 116.3
Fixed charge coverage ratio(8)	N/A	N/A	N/A	1.51	1.47	1.52	1.24	1.24

(1) As a result of management s analysis and evaluation of the replacement cost of inventory at the date of the closing of the Transactions, a purchase accounting increase in the fair value of inventory of $14.9 million was recorded as of December 1, 2005, with $4.1 million of that amount charged to cost of sales in December 2005 and $10.8 million charged to cost of sales in the first quarter of 2006.

22

Table of Contents

(2) The Predecessor Company paid $14.6 million on the closing date of the Merger to holders of 1,081,270 vested in-the-money options and holders of 45,437 restricted stock grant awards. Those amounts were recorded as an administrative expense during the period from January 1, 2005 to November 30, 2005. The remaining stock options and grant expense represented non-cash charges to expense.

(3) These prepaid amounts were written off as a result of the Transactions.

(4) Amount represents incremental EBITDA from the 2006 Acquisitions as if they had taken place on January 1, 2006. The financial information from the 2006 Acquisitions is based on unaudited financial statements for each of Port City and Allmet. Included in such incremental EBITDA are estimated cost savings and other synergies specifically identified in connection with the 2006 Acquisitions of $0.4 million for the pre-acquisition period during 2006. These estimated synergies include lower feedstock costs due to leveraged purchasing and operational process improvements, lower selling expenses due to better geographic sales coverage and elimination of redundant sales positions, and improved operating results by the impact of additional value-added processing equipment that Port City recently added to its facility.

(5) This amount represents $5.0 million of charges in the Building Products Group for the elimination of one layer of management and closure of eleven facilities in 2004.

(6) This amount represents severance costs of management personnel that were replaced as part of the Transactions.

(7) Includes accrued expenses related to the management agreement we have with Apollo, pursuant to which Apollo or its affiliates provide us with management services. See Certain Relationships and Related Party Transactions Apollo Management Agreements.

(8) This amount represents the fixed charge coverage ratio, which we refer to in this prospectus as the FCCR, as defined by the ABL facility, which is not applicable for the Predecessor Company, which operated under a different revolving credit facility, or for the period from May 9, 2005 (date of inception) to December 31, 2005 of the Successor Company because the FCCR is based on a rolling four-quarter period.

R ISK FACTORS

Investing in our notes involves a high degree of risk. You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus before investing in our notes, or deciding whether you will or will not participate in our exchange offer. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such a case, you may lose all or part of your original investment.

Risks Related to this Exchange Offer and the Notes

Because Metals USA Holdings is the sole obligor of the exchange notes, and its subsidiaries will not guarantee its obligations under the exchange notes or have any obligation with respect to the exchange notes, the exchange notes will be structurally subordinated to the debt and liabilities of its subsidiaries.

Metals USA Holdings has no operations of its own and derives all of its revenues and cash flow from its subsidiaries. Its subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay amounts due under the exchange notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or otherwise.

As of September 30, 2007, after giving effect to the proceeds from the old notes, the aggregate amount of indebtedness and other liabilities of its subsidiaries (including trade payables) that would have been structurally senior to the exchange notes was $818.4 million. Further, approximately $145.0 million was available to its subsidiaries for additional borrowing under the ABL facility. Holders of the exchange notes will not have any claim as creditors against its subsidiaries. None of its subsidiaries will guarantee its obligations under the exchange notes. The exchange notes are structurally subordinated to any existing and future indebtedness and other liabilities of any of its subsidiaries, even if those obligations do not constitute indebtedness. In the event of a bankruptcy, liquidation or reorganization or similar proceeding, the exchange notes will be structurally subordinated to the claims of the creditors of its subsidiaries, including the lenders under the ABL facility, holders of the Metals USA notes, trade creditors and holders of other indebtedness of those subsidiaries. Accordingly, there might only be a limited amount of assets available to satisfy your claims as a holder of the exchange notes upon an acceleration of the maturity of the exchange notes. Metals USA Holdings cannot assure you that if its subsidiaries have their debt accelerated, it will be able to repay the exchange notes. It also cannot assure you that its assets and its subsidiaries assets will be sufficient to fully repay the notes and its subsidiaries other indebtedness. See Description of Certain Indebtedness.

Metals USA Holdings may not have access to the cash flow and other assets of its subsidiaries that may be needed to make payments on the exchange notes.

Metals USA Holdings is a holding company with no operations or assets of its own. Metals USA Holdings only asset is its common equity interest in Flag Intermediate, another holding company whose only asset is its common equity interest in Metals USA. Metals USA Holdings operations are conducted through Metals USA and its subsidiaries, and Metals USA Holdings ability to make payments on the notes is dependent on the earnings and the distribution of funds from its subsidiaries through loans, dividends or otherwise. However, none of its subsidiaries is obligated to make funds available to it for payment on the exchange notes.

The terms of the ABL facility and the terms of the indenture governing the Metals USA notes each significantly restrict Metals USA Holdings subsidiaries from paying dividends and otherwise transferring assets to it. The terms of each of those debt instruments provide Metals USA with baskets that can be used to make certain types of restricted payments, including dividends or other distributions to Flag Intermediate and to Metals USA Holdings. Metals USA Holdings cannot assure you that Metals USA will have sufficient payment

Table of Contents

capacity in the baskets with respect to either the ABL facility or the Metals USA notes in order to make payments upon a change of control or payments at the maturity of the exchange notes. In addition, the terms of any future indebtedness incurred by Metals USA, Flag Intermediate or any other subsidiary of Metals USA Holdings may include additional restrictions on their ability to make funds available to Metals USA Holdings to make payments on the exchange notes, which may be more restrictive than those contained in the terms of the ABL facility and Metals USA notes.

In the event Metals USA Holdings does not have sufficient cash available to it to make any required payments on the exchange notes, it and its subsidiaries will be required to adopt one or more alternatives, such as refinancing all of its and its subsidiaries indebtedness, obtaining the consents from the lenders in respect of that indebtedness, selling equity securities or seeking capital contributions from its affiliates. None of its affiliates is obligated to make any capital contributions, loans or other payments to it with respect to its obligations on the exchange notes.

Further, Metals USA Holdings cannot assure you that any of the foregoing actions could be effected on satisfactory terms, if at all, or that any of the foregoing actions would enable it to refinance its or its subsidiaries indebtedness or pay the required amounts on the exchange notes, or that any of such actions would be permitted by the terms of the indenture governing the exchange notes or the terms of any other debt of it or its subsidiaries then in effect. See Description of Certain Indebtedness.

Metals USA Holdings and its subsidiaries substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk and prevent us from meeting our obligations under the exchange notes.

Metals USA Holdings and its subsidiaries have substantial leverage. As of September 30, 2007, our total indebtedness was $876.3 million (which includes $300.0 million under the ABL facility, $275.0 million under the Metals USA notes, $5.7 million under an IRB, $3.8 million under a note payable issued in connection with the acquisition of Lynch Metals, $0.4 million in vendor financing and purchase money notes and the old notes). Further, approximately $145.0 million was available to subsidiaries of Metals USA Holdings for additional borrowing under the ABL facility. On a pro forma basis, interest expense would have been $93.5 million and $80.9 million for the year ended December 31, 2006 and nine months ended September 30, 2007, respectively. Metals USA Holdings, and its subsidiaries substantial level of indebtedness increases the possibility that they may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due, including the repurchase obligation upon the occurrence of specified change of control events, in respect of their indebtedness.

Metals USA Holdings, and its subsidiaries substantial indebtedness could have important consequences for you, including:

- making it more difficult for Metals USA Holdings to make payments on the exchange notes;
- making it difficult for Metals USA to make payments on its debt and, therefore, to make distributions to Metals USA Holdings;
- exposing them to the risk of increased interest rates as certain of their borrowings will be at variable rates of interest;
- limiting, along with the financial and other restrictive covenants in their indebtedness, among other things, their ability to borrow money, dispose of assets or sell equity for our working capital, capital expenditures, dividend payments, debt service requirements, strategic initiatives or other purposes;
- limiting their flexibility in planning for, or reacting to, changes in their operations or business;
- increasing their vulnerability to general economic and industry conditions;

Table of Contents

- placing them at a competitive disadvantage compared to some of their competitors who have less debt; and

- having a material adverse effect on Metals USA Holdings and its subsidiaries business and financial condition or results of operations if they were unable to service their indebtedness or obtain additional financing, as needed.

In addition, if Metals USA and its subsidiaries make certain asset sales and are prohibited from funding a dividend to Metals USA Holdings, Metals USA Holdings will not be required to make an asset sale offer under the indenture.

The indenture governing the exchange notes contains, and Metals USA Holdings subsidiaries debt agreements impose, significant operating and financial restrictions, and Metals USA Holdings and its subsidiaries may not be able to make payments on their indebtedness, which would have a material adverse effect on their business, financial condition or results of operations.

The indenture governing the exchange notes contains, and the ABL facility and the indenture governing the Metals USA notes contain, various covenants that limit or prohibit Metals USA Holdings and its subsidiaries ability, among other things, to:

- incur or guarantee additional indebtedness or issue certain preferred shares;

- pay dividends on its and its subsidiaries capital stock or redeem, repurchase, retire or make distributions in respect of its and its subsidiaries capital stock or subordinated indebtedness or make other restricted payments;

- make certain loans, acquisitions, capital expenditures or investments;

- sell certain assets, including stock of its subsidiaries;

- create or incur liens;

- consolidate, merge, sell, transfer or otherwise dispose of all or substantially all of its assets; and

- enter into certain transactions with its affiliates.

In addition, under the ABL facility, if Metals USA s borrowing availability falls below a specified threshold, Metals USA is required to satisfy and maintain a minimum fixed charge coverage ratio not less than 1.0 to 1.0. The fixed charge coverage ratio is determined by dividing (1) the sum of EBITDA (as defined by and adjusted in accordance with the loan and security agreement governing the ABL facility) minus income taxes paid in cash and non-financed capital expenditures by (2) the sum of certain distributions paid in cash, cash interest expense and scheduled principal reductions on debt. Metals USA s ability to meet the required fixed charge coverage ratio can be affected by events beyond its control, and Metals USA Holdings cannot assure you that it will meet this ratio.

The restrictions contained in the agreements that govern the terms of Metals USA Holdings and its subsidiaries debt could:

- limit their ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans;

- adversely affect their ability to finance their operations, to enter in strategic acquisitions, investments or other capital needs or to engage in other business activities that would be in their interest; and limit their access to the cash generated by Metals USA Holdings subsidiaries.

A breach of any of these covenants could result in a default under the ABL facility. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Activities Covenant Compliance.

Table of Contents

Upon the occurrence of an event of default under the ABL facility, the lenders could elect to declare all amounts outstanding under the ABL facility to be immediately due and payable and terminate all commitments to extend further credit. If Metals USA is unable to repay those amounts, the lenders under the ABL facility could proceed against the collateral granted to them to secure the ABL facility on a first-priority lien basis. If the lenders under the ABL facility accelerate the repayment of borrowings, such acceleration could have a material adverse effect on our business, financial condition or results of operations. In addition, upon acceleration Metals USA may not have sufficient assets to repay the ABL facility and/or Metals USA Holdings may be unable to repay the exchange notes.

For a more detailed description on the limitations on Metals USA Holdings and its subsidiaries ability to incur additional indebtedness, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Activities, Description of Certain Indebtedness and Description of the Notes Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock.

Despite Metals USA Holdings and its subsidiaries substantial indebtedness, they may still be able to incur significantly more debt. This could increase the risks associated with their substantial leverage, including their ability to service their indebtedness.

The terms of the indenture governing the exchange notes, the ABL facility and the indenture governing the Metals USA notes contain restrictions on Metals USA Holdings and/or its subsidiaries ability to incur additional indebtedness. These restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Accordingly, Metals USA Holdings and its subsidiaries could incur significant additional indebtedness in the future. As of September 30, 2007, Metals USA had approximately $145.0 million available for additional borrowing under the ABL facility, including the subfacility for letters of credit. If Metals USA Holdings or its subsidiaries incur additional debt, the risks associated with their substantial leverage, including their ability to service their debt, would increase. In addition, if the additional debt is incurred by Metals USA Holdings subsidiaries, the risks described above under Because Metals USA Holdings is the sole obligor of the exchange notes, and its subsidiaries will not guarantee its obligations under the exchange notes or have any obligation with respect to the exchange notes, the exchange notes will be structurally subordinated to the debt and liabilities of its subsidiaries will increase.

Because a substantial portion of the indebtedness of Metals USA Holdings and its subsidiaries bears interest at rates that fluctuate with changes in certain prevailing short-term interest rates, Metals USA Holdings and its subsidiaries are vulnerable to interest rate increases.

A substantial portion of Metals USA Holdings and its subsidiaries indebtedness, including the exchange notes offered hereby, bears interest at rates that fluctuate with changes in certain short-term prevailing interest rates. As of September 30, 2007, we had approximately $597.1 million of floating rate debt under the notes, the ABL facility and the IRB. Additionally, Metals USA Holdings subsidiaries had an additional $145.0 million available for borrowing under the ABL facility as of that date. A 1% increase in the interest rate on their floating rate debt would increase interest expense under the ABL facility and the notes by approximately $5.9 million. If interest rates increase dramatically, Metals USA Holdings and its subsidiaries could be unable to service their debt, which could have a material adverse effect on their business, financial condition or results of operations.

Metals USA Holdings and its subsidiaries ability to service their indebtedness requires a significant amount of cash, and their ability to generate cash depends on many factors beyond their control.

Metals USA Holdings has no operations of its own and conducts its operations through its operating subsidiaries. As a result, it depends on those entities for dividends and other payments to generate the funds necessary to meet its financial obligations, including payments on its indebtedness. It cannot be certain that its earnings and the earnings of its operating subsidiaries will be sufficient to allow it to make payments in respect of the notes and meet its other obligations. The issuance of the old notes increased its pro forma annual cash interest expense by approximately $33.7 million, unless it elects to pay PIK Interest (as defined in Description of the Notes) on the notes. Its subsidiaries ability to generate cash from their operations is subject to weather, general economic, financial, competitive, legislative, regulatory and other factors that are beyond their control. As a result, their business may not generate sufficient cash flow from operations in amounts sufficient to enable Metals USA Holdings to make payments in respect of the exchange notes or service any of its other debt and to fund its other liquidity needs. If it does not have sufficient liquidity, Metals USA Holdings or its operating subsidiaries will have to take actions such as reducing or delaying strategic acquisitions, investments, capital expenditures and joint ventures, selling assets, restructuring or refinancing their debt or seeking additional equity capital. These remedies may not, if necessary, be effected on commercially reasonable terms, or at all. In addition, the terms of existing or future debt instruments, including the ABL facility and the indenture governing the Metals USA notes, may restrict Metals USA Holdings from adopting some of these alternatives. Furthermore, Apollo has no continuing obligation to provide Metals USA Holdings with debt or equity financing. Therefore, because of these and other factors beyond Metals USA Holdings control, it may be unable to service its debt, including the exchange notes.

If the subsidiaries of Metals USA Holdings default on their obligations to pay their indebtedness, Metals USA Holdings may not be able to make payments on the exchange notes.

If the subsidiaries of Metals USA Holdings are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on their indebtedness, or if they otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing their indebtedness, Metals USA Holdings could be in default under the terms of the agreements governing such indebtedness. If Metals USA Holdings subsidiaries operating performance declines in the future, they may need to obtain waivers from the lenders in respect of their indebtedness to avoid being in default. Metals USA Holdings subsidiaries, however, may not be able to obtain any requested waivers. In the event of a default, the holders of such indebtedness could elect to declare all funds borrowed thereunder to be due and payable, together with all accrued and unpaid interest, the lenders under the ABL facility could terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against Metals USA Holdings subsidiaries assets, and such subsidiaries could be forced into bankruptcy or liquidation. Any of the foregoing could prevent Metals USA Holdings from paying principal, premium, if any, and interest on the exchange notes and substantially decrease the market value of the exchange notes.

Metals USA Holdings may not be able to repurchase the exchange notes upon a change of control.

Upon a change of control as defined in the indenture governing the exchange notes, Metals USA Holdings will be required to make an offer to repurchase all outstanding notes at 101% of their principal amount, plus accrued and unpaid interest, unless it gives notice of its intention to exercise its right to redeem the exchange notes. The source of funds for any such purchase of the notes will be its available cash or cash generated from the operations of its subsidiaries or other sources, including borrowings, sales of assets or sales of equity. It may not be able to repurchase the exchange notes upon a change of control because it or its subsidiaries may not have sufficient funds, or because the terms of the debt instruments of its subsidiaries do not permit dividends or other asset transfers to be made to it. In the event a change of control occurs at a time when it does not have access to cash flow from its subsidiaries, it may seek the consent of the applicable lenders and debt holders in respect of its subsidiaries indebtedness to permit the dividend or other transfer of assets to it as is necessary to permit it to purchase the exchange notes, although it may not be able to do so.

A failure to make the applicable change of control offer or to pay the applicable change of control purchase price when due would result in a default under the indenture. The occurrence of a change of control would also constitute an event of default under the ABL facility and the indenture governing the Metals USA notes and may constitute an event of default under the terms of its or its subsidiaries other indebtedness. The terms of the loan

Table of Contents

agreement governing the ABL facility limit Metals USA s right to purchase or redeem certain indebtedness of Metals USA. In the event any purchase or redemption is prohibited, Metals USA may seek to obtain waivers from the required lenders under the ABL facility or the noteholders under the Metals USA notes to permit the required repurchase or redemption, but it may not be able to do so. As a result, if Metals USA Holdings experiences a change of control, its subsidiaries may not have sufficient financial resources to satisfy the obligations under the ABL facility and the Metals USA notes, and Metals USA Holdings may not have sufficient financial resources to satisfy its obligations under the exchange notes offered hereby. See Description of the Exchange Notes Change of Control.

Federal and state statutes may allow courts, under specific circumstances, to void the notes and require note holders to return payments received.

Metals USA Holdings used a portion of the proceeds from the sale of the old notes to pay a dividend to its equity holders. Its issuance of both the old notes and the exchange notes may be subject to review under state and federal laws if a bankruptcy, liquidation or reorganization case or a lawsuit, including in circumstances in which bankruptcy is not involved, were commenced at some future date by it or on behalf of its unpaid creditors. Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer and fraudulent conveyance laws, a court may void or otherwise decline to enforce the notes or a court may subordinate the notes to Metals USA Holdings and its subsidiaries existing and future indebtedness. While the relevant laws may vary from state to state, a court might void or otherwise decline to enforce the notes if it found that when Metals USA Holdings issued the notes, or, in some states, when payments became due under the notes, it received less than reasonably equivalent value or fair consideration and either:

- it was insolvent or rendered insolvent by reason of such incurrence; or
- it was engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or
- it intended to incur, or believed or reasonably should have believed that it would incur, debts beyond its ability to pay such debts as they mature; or
- it was a defendant in an action for money damages, or had a judgment for money damages docketed against it if, in either case, after final judgment, the judgment is unsatisfied.

The court might also void the notes without regard to the above factors, if the court found that Metals USA Holdings issued the notes with actual intent to hinder, delay or defraud our creditors.

A court would likely find that Metals USA Holdings did not receive reasonably equivalent value or fair consideration for the notes if it did not substantially benefit directly or indirectly from the issuance of the notes. As a general matter, value is given for a note if, in exchange for the note, property is transferred or an antecedent debt is satisfied. A debtor will generally not be considered to have received value in connection with a debt offering if the debtor uses the proceeds of that offering to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor.

The measures of insolvency applied by courts will vary depending upon the particular fraudulent transfer law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if:

- the sum of its debts, including subordinated and contingent liabilities, were greater than the fair saleable value of its assets; or
- if the present fair saleable value of its assets were less than the amount that would be required to pay the probable liability on its existing debts, including subordinated and contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

Table of Contents

In the event of a finding that a fraudulent conveyance or transfer has occurred, the court may void, or hold unenforceable, the notes, which could mean that you may not receive any payments on the notes and the court may direct you to repay any amounts that you have already received from Metals USA Holdings for the benefit of its creditors. Furthermore, the holders of voided notes would cease to have any direct claim against Metals USA Holdings. Consequently, Metals USA Holdings assets would be applied first to satisfy its other liabilities, before any portion of its assets could be applied to the payment of the notes. Sufficient funds to repay the notes may not be available from other sources. Moreover, the voidance of the notes could result in an event of default with respect to its other debt that could result in acceleration of such debt (if not otherwise accelerated due to insolvency or other proceeding).

If you fail to exchange your old notes, they will continue to be restricted securities and may become less liquid.

Old notes that you do not tender or that we do not accept will, following the exchange offer, continue to be restricted securities, and you may not offer to sell them except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We will issue the exchange notes in exchange for the old notes in the exchange offer only following the satisfaction of the procedures and conditions set forth in The Exchange Offer Procedures for Tendering. Such procedures and conditions include timely receipt by the exchange agent of such old notes and of a properly completed and duly executed letter of transmittal. Because we anticipate that most holders of the old notes will elect to exchange their old notes, we expect that the liquidity of the market for the old notes remaining after the completion of the exchange offer will be substantially limited. Any old notes tendered and exchanged in the exchange offer will reduce the aggregate principal amount at maturity of the old notes. Further, following the exchange offer, if you did not tender your old notes, you generally would not have any further registration rights, and such old notes would continue to be subject to certain transfer restrictions.

There may be no active trading market for the exchange notes, and if one develops, it may not be liquid.

The exchange notes will constitute new issues of securities for which there is no established trading market. Metals USA Holdings does not intend to list the exchange notes on any national securities exchange or to seek the admission of the exchange notes for quotation through the National Association of Securities Dealers Automated Quotation System. Although the initial purchaser advised Metals USA Holdings that it intended to make a market in the exchange notes, it is not obligated to do so and may discontinue such market-making activity at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Securities and Exchange Act of 1934, as amended, which we refer to in this prospectus as the Exchange Act, and may be limited during the exchange offer and the pendency of any shelf registration statement. Although Metals USA Holdings expects that the exchange notes will be eligible for trading in The PORTAL^{SM} Market, there can be no assurance as to the development or liquidity of any market for the exchange notes, the ability of the holders of the exchange notes to sell their exchange notes or the price at which the holders would be able to sell their exchange notes. Future trading prices of the exchange notes will depend on many factors, including:

- Metals USA Holdings subsidiaries operating performance and financial condition;
- the interest of securities dealers in making a market in the exchange notes; and
- the market for similar securities.

Historically, the market for non-investment-grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the exchange notes offered hereby. The market for the exchange notes, if any, may be subject to similar disruptions. Any such disruptions may adversely affect the value of your exchange notes.

Table of Contents

Broker-dealers may become subject to the registration and prospectus delivery requirements of the Securities Act and any profit on the resale of the exchange notes may be deemed to be underwriting compensation under the Securities Act.

Any broker-dealer that acquires exchange notes in the exchange offer for its own account in exchange for old notes which it acquired through market-making or other trading activities must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction by that broker-dealer. Any profit on the resale of the exchange notes and any commission or concessions received by a broker-dealer may be deemed to be underwriting compensation under the Securities Act.

You may not receive the exchange notes in the exchange offer if the exchange offer procedures are not properly followed.

We will issue the exchange notes in exchange for your old notes only if you properly tender the old notes before expiration of the exchange offer. Neither we nor the exchange agent are under any duty to give notification of defects or irregularities with respect to the tenders of the old notes for exchange. If you are the beneficial holder of old notes that are held through your broker, dealer, commercial bank, trust company or other nominee, and you wish to tender such notes in the exchange offer, you should promptly contact the person through whom your old notes are held and instruct that person to tender on your behalf.

Risks Related to Our Business

Our business, financial condition and results of operations are heavily impacted by varying metals prices.

Metals costs typically represent approximately 75% of our net sales. Metals costs can be volatile due to numerous factors beyond our control, including domestic and international economic conditions, labor costs, production levels, competition, import duties and tariffs and currency exchange rates. This volatility can significantly affect the availability and cost of raw materials for us, and may, therefore, adversely affect our net sales, operating margin and net income. Our 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, which we base on information derived from customers, market conditions, historic usage and industry research. Our commitments for metal purchases are generally at prevailing market prices in effect at the time we place our orders. We have no substantial long-term, fixed-price purchase contracts. When raw material prices rise, we may not be able to pass the price increase on to our customers. When raw material prices decline, customer demands for lower prices could result in lower sale prices and, to the extent we reduce existing inventory quantities, lower margins. There have been historical periods of rapid and significant movements in the prices of metal both upward and downward. Any limitation on our ability to pass through any price increases to our customers could have a material adverse effect on our business, financial condition or results of operations.

Changes in metal prices also affect our liquidity because of the time difference between our payment for our raw materials and our collection of cash from our customers. We sell our products and typically collect our accounts receivable within 45 days after the sale; however, we tend to pay for replacement materials (which are more expensive when metal prices are rising) over a much shorter period, in part to benefit from early-payment discounts. As a result, when metal prices are rising, we tend to draw more on the ABL facility to cover the cash flow cycle from our raw material purchases to cash collection. This cash requirement for working capital is higher in periods when we are increasing inventory quantities, as we did at the end of 2004. Our liquidity is thus adversely affected by rising metal prices. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Operating and Investing Activities.

Table of Contents

Our operating results could be negatively affected during economic downturns because the demand for our products is cyclical.

Many of our products are used in businesses that are, to varying degrees, cyclical and have historically experienced periodic downturns due to economic conditions, energy prices, consumer demand and other factors beyond our control. These economic and industry downturns have been characterized by diminished product demand, excess capacity and, in some cases, lower average selling prices for our products. Therefore, any significant downturn in one or more of the markets that we serve, one or more of the end-markets that our customers serve or in economic condition in general could result in a reduction in demand for our products and could have a material adverse effect on our business, financial condition or results of operations. Additionally, as an increasing amount of our customers relocate their manufacturing facilities outside of the United States, we may not be able to maintain our level of sales to those customers. As a result of the depressed economic conditions and reduction in construction in the northeastern United States in the years 2000 through the middle of 2002, our customers in such geographic areas had lower demand for our products. Concurrent reduced demand in a number of these markets combined with the foreign relocation of some of our customers could have an adverse effect on our business, financial condition or results of operations.

Our customers sell their products abroad, and some of our suppliers buy feedstock abroad. As a result, our business is affected by general economic conditions and other factors outside the United States, primarily in Europe and Asia. Our suppliers access to metal, and therefore our access to metal, is additionally affected by such conditions and factors. Similarly, the demand for our customers products, and therefore our products, is affected by such conditions and factors. These conditions and factors include further increased prices of steel, enhanced imbalances in the world s iron ore, coal and steel industries, a downturn in world economies, increases in interest rates, unfavorable currency fluctuations, including the weak U.S. dollar, or a slowdown in the key industries served by our customers. In addition, demand for the products of our Building Products Group has been and is expected to continue to be adversely affected if consumer confidence falls, since the results of that group depend on a strong residential remodeling industry, which in turn has been partially driven by relatively high consumer confidence.

We rely on metal suppliers in our business and purchase a significant amount of metal from a limited number of suppliers. Termination of one or more of our relationships with any of these suppliers could have a material adverse effect on our business, financial condition or results of operations because we may be unable to obtain metal from other sources in a timely manner or at all.

We use a variety of metals in our business. Our operations depend upon obtaining adequate supplies of metal on a timely basis. We purchase most of our metal from a limited number of metal suppliers. As of September 30, 2007, the top two metals producers represent a significant portion of our total metal purchasing cost. Termination of one or more of our relationships with either of these suppliers could have a material adverse effect on our business, financial condition or results of operations if we were unable to obtain metal from other sources in a timely manner.

In addition, the domestic metals production industry has experienced consolidation in recent years. As of September 30, 2007, the top three metals producers together control over 60% of the domestic flat rolled steel market. Further consolidation could result in a decrease in the number of our major suppliers or a decrease in the number of alternative supply sources available to us, which could make it more likely that termination of one or more of our relationships with major suppliers would result in a material adverse effect on our business, financial condition or results of operations. Consolidation could also result in price increases for the metal that we purchase. Such price increases could have a material adverse effect on our business, financial condition or results of operations if we were not able to pass these price increases on to our customers.

Intense competition among many competitors could adversely affect our profitability.

We are engaged in a highly fragmented and competitive industry. We compete with a large number of other value-added metals processor/service centers on a regional and local basis, some of which may have greater financial resources than we have. We also compete, to a much lesser extent, with primary metals producers, who typically sell to very large customers requiring regular shipments of large volumes of metals. One competitive factor, particularly in the ferrous Flat Rolled business, is price. We may be required in the future to reduce sales volumes to maintain our level of profitability. Increased competition in any of our businesses could have a material adverse effect on our business, financial condition or results of operations.

A failure to retain our key employees could adversely affect our business.

We are dependent on the services of our President, Chief Executive Officer and Chairman, Mr. C. Lourenço Gonçalves, and other members of our senior management team to remain competitive in our industry. There is a risk that we will not be able to retain or replace these key employees. Our current key employees are subject to employment conditions or arrangements that permit the employees to terminate their employment without notice. Other than a life insurance policy maintained by us on Mr. Gonçalves, for which we are the beneficiary, we do not maintain any life insurance policies for our key employees. The loss of any member of our senior management team could have a material adverse effect on our business, financial condition or results of operations.

From time to time, there are shortages of qualified operators of metals processing equipment. In addition, during periods of low unemployment, turnover among less-skilled workers can be relatively high. Any failure to retain a sufficient number of such employees in the future could have a material adverse effect on our business, financial condition or results of operations.

We are subject to litigation that could strain our resources and distract management.

From time to time, we are involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. These suits concern issues including product liability, contract disputes, employee-related matters and personal injury matters. It is not feasible to predict the outcome of all pending suits and claims, and the ultimate resolution of these matters as well as future lawsuits could have a material adverse effect on our business, financial condition, results of operations or reputation.

Environmental costs could decrease our net cash flow and adversely affect our profitability.

Our operations are subject to extensive regulations governing waste disposal, air and water emissions, the handling of hazardous substances, remediation, workplace exposure and other environmental matters. Some of the properties we own or lease are located in areas with a history of heavy industrial use, and are near sites listed on the Comprehensive Environmental Response, Compensation, and Liability Act, which we refer to in this prospectus as CERCLA, National Priority List. See Business Government Regulation and Environmental Matters. CERCLA established joint and several responsibility for clean-up without regard to fault for persons who have arranged for disposal of hazardous substances at sites that have become contaminated and for persons who own or operate contaminated facilities. We have a number of properties located in or near industrial or light industrial use areas; accordingly, these properties may have been contaminated by pollutants which would have migrated from neighboring facilities or have been deposited by prior occupants. Some of our properties are affected by contamination from leaks and drips of cutting oils and similar materials, and we are investigating and remediating such known contamination pursuant to applicable environmental laws. The costs of such clean-ups to date have not been material. It is possible that we could be notified of such claims in the future. See Business Government Regulation and Environmental Matters. It is also possible that we could be identified by the Environmental Protection Agency, a state agency or one or more third parties as a potentially responsible party under CERCLA or under analogous state laws. If so, we could incur substantial litigation costs in defense of such claims.

Table of Contents

Adverse developments in our relationship with our unionized employees could adversely affect our business.

As of September 30, 2007, approximately 265 of our employees (10%) at various sites were members of unions. We are currently a party to eight collective-bargaining agreements with such unions, which expire at various times, including five of which will expire in 2010 (which cover approximately 6% of our employees). Collective-bargaining agreements for all of our union employees expire in each of the next three years. However, no assurances can be given that we will succeed in negotiating new collective-bargaining agreements to replace the expiring ones without a strike. Any strikes in the future could have a material adverse effect on our business, financial condition or results of operations. See Business Employees for a discussion of our previous negotiations of collective-bargaining agreements.

Metals USA s predecessor company emerged from Chapter 11 reorganization in 2002 and may not be able to achieve profitability on a consistent basis.

Metals USA s Predecessor Company sought protection under Chapter 11 of the Bankruptcy Code in November 2001. Metals USA s predecessor company incurred operating losses of $2.6 million and $390.5 million during the ten-month period ended October 31, 2002 and the fiscal year ended December 31, 2001, respectively. Approximately $386.1 million of the 2001 net loss was attributable to write-downs associated with the carrying value of our predecessor company s goodwill and property and equipment to their estimated recoverable values. Metals USA incurred an operating loss of $0.9 million for the two-month period ended December 31, 2002. The predecessor company s equity ownership, board of directors and a portion of its senior management were replaced in connection with the reorganization. We may not be able to sustain profitability or achieve growth in our operating performance.

Our historical financial information is not comparable to our current financial condition and results of operations because of our use of fresh-start accounting in 2002 and purchase accounting in connection with the Merger, the 2006 Acquisitions, and the acquisition of Lynch Metals.

It may be difficult for you to compare both our historical and future results to our results for the fiscal year ended December 31, 2006 and the nine months ended September 30, 2007. The Merger and the 2006 Acquisitions were accounted for utilizing purchase accounting, which resulted in a new valuation for the assets and liabilities of Metals USA to their fair values. This new basis of accounting began on November 30, 2005. Allocations are subject to valuations as of the closing date of the Merger. In addition, the 2006 Acquisitions and the acquisition of Lynch Metals are, and we expect future acquisitions will be, also accounted for using purchase accounting and, therefore, similar limitations regarding comparability of historical and subsequent results could arise. Under the purchase method of accounting, the operating results of each of the acquired businesses, including the 2006 Acquisitions and Lynch Metals are included in our financial statements only from the date of the acquisitions. As a result, amounts presented in the consolidated financial statements and footnotes may not be comparable with those of prior periods.

In addition, as a result of our emergence from bankruptcy on October 31, 2002, we were subject to Fresh-Start Reporting. Accordingly, our financial information as of any date or for periods after November 1, 2002, is not comparable to our historical financial information before November 1, 2002. This is primarily because Fresh-Start Reporting required us to reduce the carrying value of the property and equipment we owned at November 1, 2002 to zero. Accordingly, our historical operating results may be of limited use in evaluating our historical performance and comparing it to other periods.

We may not successfully implement our acquisition strategy, and acquisitions that we pursue may present unforeseen integration obstacles and costs, increase our leverage and negatively impact our performance.

We may not be able to identify suitable acquisition candidates, and the expense incurred in consummating acquisitions of related businesses, or our failure to integrate such businesses successfully into our existing businesses, could affect our growth or result in our incurring unanticipated expenses and losses. Furthermore, we may not be able to realize any anticipated benefits from acquisitions. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Impacting Comparability of Results 2006 Acquisitions and Management s Discussion and Analysis of Financial Condition and Results of Operations Recent Developments Recent Acquisition. We regularly evaluate potential acquisitions and may complete one or more significant acquisitions in the future. To finance an acquisition, we may incur debt or issue equity. The process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Some of the risks associated with our acquisition strategy, which could have an adverse effect on our business, financial condition and results of operations, include:

- potential disruption of our ongoing business and distraction of management;
- unexpected loss of key employees or customers of the acquired company;
- conforming the acquired company s standards, processes, procedures and controls with our operations;
- coordinating new product and process development;
- hiring additional management and other critical personnel;
- encountering unknown contingent liabilities which could be material; and
- increasing the scope, geographic diversity and complexity of our operations.

Our acquisition strategy may not be successfully received by customers, and we may not realize any anticipated benefits from acquisitions.

We are controlled by Apollo and its affiliates, and their interests as equity holders may conflict with yours.

We are an affiliate of, and are controlled by, Apollo and its affiliates. The interests of Apollo and its affiliates may not always be aligned with yours. For example, our equity holders may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investment, even though these transactions might involve risks to the holders of our debt if the transactions resulted in our being more highly leveraged or significantly changed the nature of our business operations or strategy. In addition, if we encounter financial difficulties, or if we are unable to pay our debts as they mature, the interests of our equity holders might conflict with those of the holders of our debt. In that situation, for example, the holders of our debt might want us to raise additional equity to reduce our leverage and pay our debts, while our equity holders might not want to increase their investment in us or have their ownership diluted and instead choose to take other actions, such as selling our assets. Furthermore, Apollo and its affiliates have no continuing obligation to provide us with debt or equity financing. Additionally, Apollo and certain of its affiliates are in the business of making investments in businesses engaged in the metals service industry that complement or directly or indirectly compete with certain portions of our business.

Further, if they pursue such acquisitions in the metals service industry, those acquisition opportunities may not be available to us. So long as Apollo and its affiliates continue to indirectly own a significant amount of our equity, even if such amount is less than 50%, they will continue to be able to strongly influence or effectively control our business decisions.

Table of Contents

THE EXCHANGE OFFER

We entered into a registration rights agreement with the initial purchasers of the old notes, in which we agreed to file a registration statement relating to an offer to exchange the old notes for the exchange notes. The registration statement of which this prospectus forms a part was filed in compliance with this obligation. We also agreed to use our commercially reasonable efforts to file the registration statement with the SEC and to cause it to become effective under the Securities Act. The exchange notes will have terms substantially identical to the old notes, except that the exchange notes will not contain terms with respect to transfer restrictions and registration rights and additional interest payable for the failure to consummate the exchange offer by June 4, 2008. Old notes in an initial aggregate principal amount of $300,000,000 were issued on July 10, 2007.

Under the circumstances set forth below, we will use our commercially reasonable efforts to cause the SEC to declare effective a shelf registration statement with respect to the resale of the old notes and to keep the shelf registration statement effective up to two years after the effective date of the shelf registration statement. These circumstances include:

- if the exchange offer is not permitted by applicable law or SEC policy;
- if the exchange offer has not been consummated on or before June 4, 2008;
- if any initial purchaser so requests on or prior to the 60th day after the consummation of the registered exchange offer with respect to the old notes not eligible to be exchanged for the exchange notes and held by it following the consummation of the exchange offer; or
- if any holder that participates in the exchange offer does not receive freely transferable exchange notes in exchange for tendered old notes and so requests on or prior to the 60th day after the consummation of the registered exchange offer.

We expect to file a shelf registration statement on Form S-1 contemporaneously with the effectiveness of this exchange offer pursuant to which Apollo may sell all or a portion of any notes it holds in the market.

Each holder of old notes that wishes to exchange such old notes for transferable exchange notes in the exchange offer will be required to make the following representations:

- any exchange notes to be received by it will be acquired in the ordinary course of its business;
- neither it nor any person is participating in or intends to participate in a distribution of such exchange notes within the meaning of the federal securities laws, or has an arrangement or understanding with any person or entity, including any of our affiliates, to participate in any distribution (within the meaning of Securities Act) of the exchange notes in violation of the Securities Act; and
- neither it nor any such other person is our affiliate, as defined in Rule 405 under the Securities Act, or, if it is an affiliate, that it will comply with applicable registration and prospectus delivery requirements of the Securities Act.

In addition, each broker-dealer that receives exchange notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. See Plan of Distribution.

Transferability of the Exchange Notes

We are making this exchange offer in reliance on interpretations of the staff of the SEC set forth in several no-action letters. However, we have not sought our own no-action letter. Based upon these interpretations, we believe that you, or any other person receiving exchange notes, may offer for resale, resell or otherwise transfer such exchange notes without complying with the registration and prospectus delivery requirements of the U.S. federal securities laws, if:

- you are, or the person or entity receiving such exchange notes is, acquiring such exchange notes in the ordinary course of business;

Table of Contents

- you do not, nor does any such person or entity, participate in or intend to participate in a distribution of the exchange notes within the meaning of the U.S. federal securities laws;

- you do not, nor does any such person or entity, have an arrangement or understanding with any person or entity to participate in any distribution of the exchange notes;

- you are not, nor is any such person or entity, our affiliate as defined in Rule 405 under the Securities Act; and

- you are not acting on behalf of any person or entity who could not truthfully make these statements.

In order to participate in the exchange offer, each holder of exchange notes must represent to us that each of these statements is true:

- such holder is not an affiliate of ours;

- such holder is not engaged in and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the exchange notes; and

- any exchange notes such holder receives will be acquired in the ordinary course of business.

Broker-dealers and each holder of outstanding notes intending to use the exchange offer to participate in a distribution of exchange notes (1) may not rely under the SEC s policy, as of July 10, 2007, on the applicable interpretation of the staff of the SEC s position contained in Exxon Capital Holdings Corp., SEC no-action letter (April 13, 1988), Morgan, Stanley & Co. Inc., SEC no-action letter (June 5, 1991) and Shearman & Sterling, SEC no-action letter (July 2, 1993) and (2) must comply with the registration and prospectus requirements of the Securities Act in connection with a secondary resale transaction and will deliver a prospectus in connection with any such resale of the exchange notes.

This prospectus may be used for an offer to resell, for the resale or for other retransfer of exchange notes only as specifically set forth in this prospectus. With regard to broker-dealers, only broker-dealers that acquired the old notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives exchange notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. Please read the section captioned Plan of Distribution for more details regarding these procedures for the transfer of exchange notes. We have agreed that, for a period of 180 days after the exchange offer is consummated, we will make this prospectus available to any broker-dealer for use in connection with any resale of the exchange notes.

Terms of the Exchange Offer

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept for exchange any old notes properly tendered and not withdrawn prior to the expiration date. We will issue up to $300,000,000 in principal amount of exchange notes, in the aggregate, in exchange for an equal principal amount of the old notes surrendered under the exchange offer. Holders may tender some or all of their outstanding notes pursuant to the exchange offer. However, old notes may be exchanged only in denominations of $2,000 and any integral multiples of $1,000 in excess of $2,000.

The form and terms of the exchange notes will be substantially identical to the form and terms of the old notes except that:

- the exchange notes have been registered under the Securities Act and will be freely tradable by persons who are not affiliated with us;

the exchange notes are not entitled to the registration rights that are applicable to the old notes under the registration rights agreement;

- the exchange notes will bear a different CUSIP number from that of the old notes; and

- our obligation to pay additional interest on the old notes if the exchange offer is not consummated by June 4, 2008 does not apply to the exchange notes.

The exchange notes will evidence the same debt as the old notes. The exchange notes will be issued under and entitled to the benefits of the same indenture that authorized the issuance of the old notes. Consequently, each series of notes will be treated as a single class of debt securities under the applicable indenture.

The exchange offer is not conditioned upon any minimum aggregate principal amount of old notes being tendered for exchange.

As of the date of this prospectus, $300,000,000 initial aggregate principal amount of the old notes are outstanding. The exchange notes offered will be limited to $300,000,000 in aggregate principal amount. This prospectus and the letter of transmittal are being sent to all registered holders of old notes. There will be no fixed record date for determining registered holders of old notes entitled to participate in the exchange offer.

In connection with the issuance of the old notes, we arranged for the old notes to be issued in the form of global notes through the facilities of DTC, acting as depositary. The exchange notes will also be issued in the form of global notes registered in the name of DTC or its nominee and each beneficial owner s interest in it will be transferable in book-entry form through DTC.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Exchange Act, and the rules and regulations of the SEC. Old notes that are not tendered for exchange or are tendered but not accepted in the exchange offer will remain outstanding and be entitled to the benefits of the indenture under which they were issued, including accrual of interest, but, subject to a limited exception, will not be entitled to any registration rights under the applicable registration rights agreement.

We will be deemed to have accepted for exchange properly tendered old notes when we have given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the exchange notes from us and delivering exchange notes to such holders. If any tendered outstanding notes are not accepted for exchange because of an invalid tender, the occurrence of other events described in this prospectus or otherwise, we will return the certificates for any unaccepted outstanding notes, at our expense, to the tendering holder promptly after expiration of the exchange offer.

Subject to the terms of the registration rights agreements, we expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any old notes not previously accepted for exchange, upon the occurrence of any of the conditions specified below under the caption Certain Conditions to the Exchange Offer.

Holders who tender old notes in the exchange offer will not be required to pay brokerage commissions or fees, or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of old notes. We will pay all charges and expenses, other than those transfer taxes described below, in connection with the exchange offer. It is important that you read the section labeled Fees and Expenses below for more details regarding fees and expenses incurred in the exchange offer.

Expiration Date; Extensions; Amendments

The exchange offer will expire 5:00 p.m. (New York City time) on , 2008, which we refer to in this prospectus as the expiration date, unless we extend it in our sole discretion.

Table of Contents

In order to extend the exchange offer, we will notify the exchange agent orally or in writing. In addition, we will notify the registered holders of old notes, in writing, by public announcement or both, of the extension no later than 9:00 a.m. (New York City time) on the business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion:

- to delay accepting for exchange any old notes;
- to extend the exchange offer or to terminate the exchange offer and to refuse to accept old notes not previously accepted if any of the conditions set forth below under Certain Conditions to the Exchange Offer have not been satisfied, by giving oral or written notice of such delay, extension or termination to the exchange agent; or
- subject to the terms of the registration rights agreement, to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice or public announcement thereof to the registered holders of old notes. If we amend the exchange offer in a manner that we determine to constitute a material change, we will promptly disclose such amendment in a manner reasonably calculated to inform the holders of old notes of such amendment. If we terminate this exchange offer as provided in this prospectus before accepting any old notes for exchange or if we amend the terms of this exchange offer in a manner that constitutes a fundamental change in the information set forth in the registration statement of which this prospectus forms a part, we will promptly file a post-effective amendment to the registration statement of which this prospectus forms a part. In addition, we will in all events comply with our obligation to make prompt payment for all old notes properly tendered and accepted for exchange in the exchange offer.

Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of the exchange offer, we shall not have any obligation to publish, advertise or otherwise communicate any such public announcement, other than by issuing a timely press release to a financial news service.

Certain Conditions to the Exchange Offer

Despite any other terms of the exchange offer, we will not be required to accept for exchange, or issue any exchange notes for, any old notes, and we may terminate or amend the exchange offer as provided in this prospectus before accepting any old notes for exchange if, in our reasonable judgment:

- the exchange notes to be received will not be tradable by the holder without restriction under the Securities Act or the Exchange Act, and without material restrictions under the blue-sky or securities laws of substantially all of the states of the United States:
- the exchange offer, or the making of any exchange by a holder of old notes, violates any law, statute, rule, regulation or interpretation by the staff of the SEC or any order of any governmental agency or court of competent jurisdiction; or
- any action or proceeding has been instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer that, in our judgment, could reasonably be expected to impair our ability to proceed with the exchange offer.

In addition, we will not be obligated to accept for exchange the old notes of any holder that has not made:

- the representations described under Purpose and Effect of the Exchange Offer, Procedures for Tendering and Plan of Distribution, and such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to make available to us an appropriate form for registration of the exchange notes under the Securities Act.

Table of Contents

We expressly reserve the right, at any time or at various times on or prior to the scheduled expiration date of the exchange offer, to extend the period of time during which the exchange offer is open. Consequently, we may delay acceptance of any old notes by giving oral or written notice of such extension to the registered holders of the old notes. During any such extensions, all old notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange unless they have been previously withdrawn. We will return any old notes that we do not accept for exchange for any reason without expense to their tendering holder promptly after the expiration or termination of the exchange offer.

We expressly reserve the right to amend or terminate the exchange offer on or prior to the scheduled expiration date of the exchange offer, and to reject for exchange any old notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified above. We will give oral or written notice or public announcement of any extension, amendment, non-acceptance or termination to the registered holders of the old notes as promptly as practicable. In the case of any extension, such notice will be issued no later than 9:00 a.m. (New York City time) on the business day after the previously scheduled expiration date. See Expiration Date; Extensions; Amendments.

These conditions are for our sole benefit and we may, in our sole discretion, assert them regardless of the circumstances that may give rise to them or waive them in whole or in part at any time or at various times, except that all conditions to the exchange offer must be satisfied or waived by us prior to the expiration of the exchange offer. If we fail at any time to exercise any of the foregoing rights, that failure will not constitute a waiver of such right. Each such right will be deemed an ongoing right that we may assert at any time or at various times prior to the expiration of the exchange offer.

In addition, we will not accept for exchange any old notes tendered, and will not issue exchange notes in exchange for any such old notes, if at such time any stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939, as amended. In any such event, we must use commercially reasonable efforts to obtain the withdrawal or lifting of any stop order at the earliest possible moment.

Procedures for Tendering

Only a holder of old notes may tender such old notes in the exchange offer. To tender in the exchange offer, a holder must:

- complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal; have the signature on the letter of transmittal guaranteed if the letter of transmittal so requires; and mail or deliver such letter of transmittal or facsimile to the exchange agent prior to the expiration date; or

- comply with DTC s Automated Tender Offer Program procedures described below.

In addition, either:

- the exchange agent must receive old notes along with the letter of transmittal;

- the exchange agent must receive, prior to the expiration date, a timely confirmation of book-entry transfer of such old notes into the exchange agent s account at DTC according to the procedures for book-entry transfer described below or a properly transmitted agent s message; or

- the holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at the address set forth below under Exchange Agent prior to the expiration date.

The tender by a holder that is not withdrawn prior to the expiration date will constitute an agreement between such holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

Table of Contents

The method of delivery of old notes, the letter of transmittal and all other required documents to the exchange agent is at the holder s election and risk. Rather than mail these items, we recommend that holders use an overnight or hand delivery service. In all cases, holders should allow sufficient time to assure delivery to the exchange agent before the expiration date. Holders should not send us the letter of transmittal or old notes. Holders may request their respective brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for them.

Any beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct it to tender on the owner s behalf. If such beneficial owner wishes to tender on its own behalf, it must, prior to completing and executing the letter of transmittal and delivering its old notes, either:

- make appropriate arrangements to register ownership of the old notes in such owner s name; or
- obtain a properly completed bond power from the registered holder of old notes.

Depending on the facts and circumstances applicable to a particular beneficial owner, including the nominee in whose name the notes are registered and applicable state laws, the transfer of registered ownership may take an indeterminable amount of time and may not be completed prior to the expiration date.

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC s system may use DTC s Automated Tender Offer Program to tender. Participants in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange agent, transmit their acceptance of the exchange offer electronically. They may do so by causing DTC to transfer the old notes to the exchange agent in accordance with its procedures for transfer. DTC will then send an agent s message to the exchange agent. The term agent s message means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, to the effect that:

- DTC has received an express acknowledgment from a participant in its Automated Tender Offer Program that such participant is tendering old notes that are the subject of such book-entry confirmation;
- such participant has received and agrees to be bound by the terms of the letter of transmittal (or, in the case of an agent s message relating to guaranteed delivery, that such participant has received and agrees to be bound by the applicable notice of guaranteed delivery); and
- the agreement may be enforced against such participant.

In all cases, we will issue exchange notes for old notes that we have accepted for exchange under the exchange offer only after the exchange agent timely receives:

- old notes or a timely book-entry confirmation of such old notes into the exchange agent s account at DTC; and
- a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent s message.

By signing the letter of transmittal, each tendering holder of old notes will represent that, among other things:

any exchange notes that the holder receives will be acquired in the ordinary course of its business;

the holder has no arrangement or understanding with any person or entity, including any of our affiliates, to participate in the distribution of the exchange notes;

if the holder is not a broker-dealer, that it is not engaged in and does not intend to engage in the distribution of the exchange notes; and

Table of Contents

- the holder is not our affiliate, as defined in Rule 405 of the Securities Act, or, if it is an affiliate, that it will comply with applicable registration and prospectus delivery requirements of the Securities Act.

In addition, each broker-dealer that receives exchange notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. See Plan of Distribution.

Book-Entry Transfer

The exchange agent will make a request to establish an account with respect to the old notes at DTC for purposes of the exchange offer promptly after the date of this prospectus, and any financial institution participating in DTC s system may make book-entry delivery of old notes by causing DTC to transfer such old notes into the exchange agent s account at DTC in accordance with DTC s procedures for transfer. Holders of old notes who are unable to deliver confirmation of the book-entry tender of their old notes into the exchange agent s account at DTC or all other documents of transmittal to the exchange agent on or prior to the expiration date must tender their old notes according to the guaranteed delivery procedures described below.

Guarantee of Signatures

Signatures on a letter of transmittal or a notice of withdrawal described below must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or another eligible guarantor institution within the meaning of Rule 17Ad-15 under the Exchange Act, which we collectively refer to in this prospectus as an eligible institution, unless the old notes tendered pursuant thereto are tendered:

- by a registered holder who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal; or
- for the account of an eligible institution.

Signature on Letter of Transmittal; Bond Powers and Endorsements

If the letter of transmittal is signed by a person other than the registered holder of any old notes listed on the old notes, such old notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder s name appears on the old notes, and an eligible institution must guarantee the signature on the bond power.

If the letter of transmittal or any old notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing. Unless waived by us, they should also submit evidence satisfactory to us of their authority to deliver the letter of transmittal.

Guaranteed Delivery Procedures

Holders wishing to tender their old notes but whose old notes are not immediately available or who cannot deliver their old notes, the letter of transmittal or any other required documents to the exchange agent or comply with the applicable procedures under DTC s Automated Tender Offer Program prior to the expiration date may tender if:

- the tender is made through an eligible institution;
- prior to the expiration date, the exchange agent receives from such eligible institution either a properly completed and duly executed notice of guaranteed delivery by facsimile transmission, mail or hand delivery or a properly transmitted agent s message and notice of guaranteed delivery:

42

Table of Contents

- setting forth the name and address of the holder, the registered number(s) of such old notes and the principal amount of old notes tendered;
- stating that the tender is being made thereby;
- guaranteeing that, within three (3) New York Stock Exchange trading days after the expiration date, the letter of transmittal or facsimile thereof, together with the old notes or a book-entry confirmation, and any other documents required by the letter of transmittal, will be deposited by the eligible institution with the exchange agent; and

the exchange agent receives such properly completed and executed letter of transmittal or facsimile thereof, as well as all tendered old notes in proper form for transfer or a book-entry confirmation, and all other documents required by the letter of transmittal, within three (3) New York Stock Exchange trading days after the expiration date.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their old notes according to the guaranteed delivery procedures set forth above.

Determination of Valid Tenders; Our Rights under the Exchange Offer

We will determine in our sole discretion all questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered old notes and withdrawal of tendered old notes. Our determination will be final and binding. We reserve the absolute right to reject any old notes not properly tendered or any old notes the acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tenders as to particular old notes. Our interpretation of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes must be cured within such time as we shall determine.

Although we intend to notify holders of defects or irregularities with respect to tenders of old notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of old notes will not be deemed made until such defects or irregularities have been cured or waived. Any old notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost to the tendering holder, unless otherwise provided in the letter of transmittal, promptly following the expiration date.

Withdrawal of Tenders

Except as otherwise provided in this prospectus, holders of old notes may withdraw their tenders at any time prior to the expiration date.

For a withdrawal to be effective:

- the exchange agent must receive a written notice of withdrawal, which notice may be by telegram, telex, facsimile transmission or letter, at one of the addresses set forth below under Exchange Agent, prior to Metals notifying the exchange agent that it has accepted the tender of old notes pursuant to the exchange offer; or
- holders must comply with the appropriate procedures of DTC s Automated Tender Offer Program system.

Any such notice of withdrawal must:

- specify the name of the person who tendered the old notes to be withdrawn;

identify the old notes to be withdrawn, including the principal amount of such old notes; and

Table of Contents

where certificates for old notes have been transmitted, specify the name in which such old notes were registered, if different from that of the withdrawing holder.

If certificates for old notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of such certificates, the withdrawing holder must also submit:

the serial numbers of the particular certificates to be withdrawn; and

a signed notice of withdrawal with signatures guaranteed by an eligible institution unless such holder is an eligible institution.

If old notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old notes and otherwise comply with the procedures of such facility. We will determine all questions as to the validity, form and eligibility, including time of receipt of such notices, and our determination shall be final and binding on all parties. We will deem any old notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer. Any old notes that have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder (or, in the case of old notes tendered by book-entry transfer into the exchange agent s account at DTC according to the procedures described above, such old notes will be credited to an account maintained with DTC for old notes) promptly after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn old notes may be retendered by following one of the procedures described under Procedures for Tendering above, at any time prior to the expiration date.

Exchange Agent

Wells Fargo Bank, N.A. has been appointed as exchange agent for the exchange offer. ALL EXECUTED LETTERS OF TRANSMITTAL SHOULD BE SENT TO THE EXCHANGE AGENT AT THE ADDRESS LISTED BELOW. You should direct questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for the notice of guaranteed delivery to the exchange agent addressed as follows:

By Registered and Certified Mail	*By Overnight Courier or Regular Mail:*	*By Hand Delivery*
Wells Fargo Bank, N.A. Corporate Trust Operations MAC N9303-121 P.O. Box 1517 Minneapolis, MN 55480	Wells Fargo Bank, N.A. Corporate Trust Operations MAC N9303-121 6th & Marquette Avenue Minneapolis, MN 55479	Wells Fargo Bank, N.A. Corporate Trust Services 608 2nd Avenue South Northstar East Building - 12th Fl. Minneapolis, MN 55402

Or

By Facsimile Transmission:

(612) 667-6282

Telephone:

(800) 344-5128

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF SUCH LETTER OF TRANSMITTAL.

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, we may make additional solicitations by telegraph, telephone or in person by our officers and regular emp1oyees and those of our affiliates.

Table of Contents

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

Our expenses in connection with the exchange offer include:

- SEC registration fees;
- fees and expenses of the exchange agent and trustee;
- accounting and legal fees and printing costs; and
- related fees and expenses.

Transfer Taxes

In general, we will pay all transfer taxes, if any, applicable to the exchange of old notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- certificates representing old notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of old notes tendered;
- tendered old notes are registered in the name of any person other than the person signing the letter of transmittal; or
- a transfer tax is imposed for any reason other than the exchange of old notes under the exchange offer.

If satisfactory evidence of payment of such taxes is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed to that tendering holder.

In addition, holders who instruct us to register exchange notes in the name of, or request that old notes not tendered or not accented in the exchange offer be returned to, a person other than the registered tendering holder will be required to pay any applicable transfer taxes.

Consequences of Failure to Exchange

Holders of old notes who do not exchange their old notes for exchange notes under the exchange offer, including as a result of failing to timely deliver old notes to the exchange agent, together with all required documentation, including a properly completed and signed letter of transmittal, will remain subject to the restrictions on transfer of such old notes. Because the old notes have not been registered under the U.S. federal securities laws, they bear a legend restricting their transfer absent registration or the availability of a specific exemption from registration. The holders of old notes not tendered will have no further registration rights, except that, under limited circumstances, we may be required to file a shelf registration statement for a continuous offer of old notes. We expect to file a shelf registration statement on Form S-1 contemporaneously with the effectiveness of this exchange offer pursuant to which Apollo may sell all or a portion of any notes it holds in the market.

Accordingly, the old notes not tendered may be resold only:

to us or our subsidiaries;

pursuant to a registration statement which has been declared effective under the Securities Act;

for so long as the old notes are eligible for resale pursuant to Rule 144A under the Securities Act to a person the seller reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A; or

Table of Contents

pursuant to any other available exemption from the registration requirements of the Securities Act (in which case we and the trustee shall have the right to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee), subject in each of the foregoing cases to any requirements of law that the disposition of the seller s property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws.

Upon completion of the exchange offer, due to the restrictions on transfer of the old notes and the absence of such restrictions applicable to the exchange notes, it is likely that the market, if any, for old notes will be relatively less liquid than the market for exchange notes. Consequently, holders of old notes who do not participate in the exchange offer could experience significant diminution in the value of their old notes, compared to the value of the exchange notes.

Accounting Treatment

We will record the exchange notes in our accounting records at the same carrying value as the old notes, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer. We will defer the cost of this exchange offer and amortize these costs to interest expense over the term of the notes.

Other

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

In the future, we may seek to acquire untendered old notes in the open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any old notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered old notes.

Table of Contents

USE OF PROCEEDS

We will not receive any cash proceeds from the issuance of the exchange notes. In consideration for issuing the exchange notes, we will receive in exchange the old notes in like principal amount, which will be cancelled and as such will not result in any increase in our indebtedness.

The net proceeds from the offering of the old notes, together with additional borrowing under the ABL facility, were used to redeem the 2006 notes (for approximately $150.0 million plus accrued and unpaid interest of approximately $5.4 million), to pay a cash dividend of approximately $139.5 million to our stockholders, which include Apollo and certain members of our management, and to pay for fees and expenses related to the offering of the old notes. The old notes and the exchange notes are floating rate toggle notes and mature on July 1, 2012. The old notes surrendered in exchange for the exchange notes will be retired and cancelled and cannot be reissued. No underwriter is being used in connection with the exchange offer.

Table of Contents

CAPITALIZATION

The following table sets forth cash and cash equivalents and capitalization as of September 30, 2007, on a historical basis.

This table should be read together with Selected historical consolidated financial data, Unaudited pro forma condensed consolidated financial information, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes to those statements, in each case, included elsewhere in this prospectus.

	As of September 30, 2007 Historical (in millions)
Cash and cash equivalents	$ 17.3
Total debt:	
ABL facility(1)	$ 300.0
Metals USA notes	275.0
Notes(2)	291.4
Other(3)	9.9
Total debt	$ 876.3
Stockholders deficit	$ (127.7)
Total capitalization	$ 748.6

(1) The ABL facility provides for up to $525.0 million of senior secured revolving credit borrowings and letters of credit, subject to a borrowing base determined primarily by the value of our eligible receivables and inventory, subject to certain reserves. As of September 30, 2007, we had eligible collateral of $468.1 million, facility size of $525.0 million, $300.0 million in outstanding advances, $15.5 million in open letters of credit and $145.0 million in additional borrowing capacity.

(2) The notes have an initial aggregate amount of $300.0 million.

(3) Consists of an IRB with $5.7 million principal amount outstanding as of September 30, 2007, which is payable on May 1, 2016 in one lump sum payment a note payable in the amount of $3.8 million recorded in connection within the Lynch Metals acquisition, and $0.4 million in vendor financing and purchase money notes.

Table of Contents

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial statements have been developed by applying pro forma adjustments to our historical audited and unaudited consolidated statements of operations and our historical unaudited consolidated balance sheet included elsewhere in this prospectus. Each of the unaudited pro forma adjustments and their underlying assumptions are described more fully in the notes to our unaudited pro forma condensed consolidated financial statements.

The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2006 give effect to additional borrowings in connection with the May 2006 dividend, the offering of the 2006 notes and the application of the net proceeds from the offering of the 2006 notes to pay the January 2007 dividend, additional borrowings in connection with the June 2007 amendment to the ABL facility, as well as to the offering of the old notes and the use of the proceeds therefrom as if they occurred on January 1, 2006. The unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2007 give effect to additional borrowings in connection with the June 2007 amendment to the ABL facility, as well as the offering of the old notes and the use of the proceeds therefrom as if they also occurred on January 1, 2006.

The summary unaudited pro forma condensed consolidated financial information is presented for informational purposes only and does not purport to represent what our results of operations or financial position actually would have been if the May 2006 dividend, the offering of the 2006 notes and the application of the net proceeds from the offering of the 2006 notes to pay the January 2007 dividend, the additional borrowings in connection with the June 2007 amendment to the ABL facility, as well as the offering of the old notes and the use of proceeds therefrom, had occurred at any date, and such data do not purport to project the results of operations for any future period.

The historical financial results included in the following pro forma condensed consolidated financial statements are derived from the Company s consolidated statement of operations for the year ended December 31, 2006, and the Company s unaudited consolidated statements of operations for the nine-month period ending September 30, 2007.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with Selected Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and our consolidated financial statements and related notes included elsewhere in this prospectus.

Table of Contents

METALS USA HOLDINGS CORP.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

(in millions)

	Historical Metals USA Holdings Corp.	Adjust-ments for May 2006 Dividend	Adjust-ments for 2006 Notes Offering and January 2007 Dividend	Pro Forma for May 2006 Dividend, 2006 Notes Offering and January 2007 Dividend	Adjust-ments for June 2007 ABL facility Amend-ment	Adjust-ments for Old Notes Offering and July 2007 Dividend	Pro Forma
Net sales	$ 1,802.9	$	$	$ 1,802.9	$	$	$ 1,802.9
Costs and expenses:							
Cost of sales	1,371.8			1,371.8			1,371.8
Operating and delivery	175.5			175.5			175.5
Selling, general and administrative	115.2		0.2 (2)	115.4			115.4
Depreciation and amortization	21.4			21.4			21.4
Operating income (loss)	119.0		(0.2)	118.8			118.8
Interest expense	54.6	0.7 (1)	19.5 (3)	74.8	0.4 (5)	18.3 (6)	93.5
Other (income) expense	(0.7)			(0.7)			(0.7)
Income (loss) before taxes	65.1	(0.7)	(19.7)	44.7	(0.4)	(18.3)	26.0
Provision (benefit) for income taxes	25.8	(0.3)(4)	(7.6)(4)	17.9	(0.2)	(7.1)(4)	10.6
Net income (loss)	$ 39.3	$ (0.4)	$ (12.1)	$ 26.8	$ (0.2)	$ (11.2)	$ 15.4

50

Table of Contents

METALS USA HOLDINGS CORP.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007

(in millions)

	Historical Metals USA Holdings Corp.	Adjustments for June 2007 ABL facility Amendment	Adjustments for Old Notes Offering and July 2007 Dividend	Pro Forma
Net sales	$ 1,413.1	$	$	$ 1,413.1
Costs and expenses:				
Cost of sales	1,083.2			1,083.2
Operating and delivery	133.6			133.6
Selling, general and administrative	86.5			86.5
Depreciation and amortization	15.5			15.5
Impairment of property and equipment	0.2			0.2
Operating income	94.1			94.1
Interest expense	63.7	0.2(5)	17.0(6)	80.9
Loss on extinguishment of debt	8.4			8.4
Other (income) expense	(0.8)			(0.8)
Income (loss) before taxes	22.8	(0.2)	(17.0)	5.6
Provision (benefit) for income taxes	10.7	(0.1)(4)	(6.6)(4)	4.0
Net income (loss)	$ 12.1	$ (0.1)	$ (10.4)	$ 1.6

(footnotes on following page)

Table of Contents

METALS USA HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

(dollars in millions)

(1) Represents increased interest expense related to additional borrowings on the ABL facility used to pay the May 2006 dividend. For purposes of calculating pro forma interest expense, average historical LIBOR rates during the period were used, and the spread above LIBOR was from 2.00% to 3.50% to arrive at an interest rate of 6.7% for the year ended December 31, 2006.

(2) Represents incremental compensation expense resulting from the modification and conversion of certain employee equity awards to liability awards in connection with the January 2007 dividend. Total compensation expense of $1.4 will be recognized ratably over the service period. Payment of this liability award is subject to continued employment for two years following the modification date.

Because the payment of the January 2007 dividend resulted in the achievement of certain performance targets of the funds managed by Apollo with respect to its investment in the company, the Board of Directors exercised its discretion under the Amended and Restated 2005 Stock Incentive Plan to vest all of the outstanding Tranche B options. In addition, the Board of Directors exercised its discretion to vest Tranche A options granted to directors affiliated with Apollo. See Management Stock Options. In connection with the accelerated vesting of these options, the company was required to recognize $1.8 of non-cash stock-based compensation expense, net of related tax effects, in the first quarter of 2007. This amount is not included in the pro forma condensed consolidated statement of operations, but was included in the Company s consolidated statement of operations for the nine-month period ended September 30, 2007.

(3) Represents the net increase in interest expense incurred in connection with the offering of the 2006 notes, the net increase in amortization of related deferred debt issuance costs, and additional borrowings on the ABL facility in connection with the January 2007 dividend as follows:

	Year Ended December 31, 2006
Net additional interest on the 2006 notes	$ 18.1
Net additional amortization of deferred financing costs incurred in connection with the issuance of the 2006 notes	0.8
Additional interest on the ABL facility	0.6
	$ 19.5

For purposes of calculating pro forma interest expense on the 2006 notes, historical LIBOR as of December 31, 2006 was used (5.36%), and the spread above LIBOR was 6.00% for the year ended December 31, 2006 to arrive at a cash interest rate of 11.36%. The 2006 notes were issued net of a 3.5% original issue discount from the aggregate initial principal amount of $150.0, resulting in an effective interest rate of 12.41%. This assumes interest on the notes is paid in cash. In the event PIK Interest is paid on the notes after the first interest period, the margin over LIBOR on the notes would increase by 0.75% over the spread for each period in which PIK Interest is paid. Each one-quarter percent change in the interest rate would increase pro forma interest expense by $0.4 on an annual basis.

The interest expense on the ABL facility is primarily based on a spread over LIBOR. For purposes of calculating pro forma interest expense, average historical LIBOR rates during the respective period was used, and the spread above LIBOR was from 1.75% to 3.50% to arrive at an interest rate of 7.1%.

(4) Reflects an estimated 38.8% tax rate on a pro forma basis.

Table of Contents

(5) Represents increased interest expense related to $1.6 of additional borrowings on the ABL facility used to pay fees and expenses in connection with the June 2007 amendment to the ABL facility, in addition to additional amortization of deferred financing costs incurred in connection with the June 2007 amendment to the ABL facility as follows:

	Year Ended December 31, 2006	Nine Months Ended September 30, 2007
Interest on the ABL facility	$ 0.1	$ 0.1
Amortization of deferred financing costs for the ABL facility	0.3	0.1
	$ 0.4	$ 0.2

For purposes of calculating pro forma interest expense, average historical LIBOR rates during the period were used, and the spread above LIBOR was from 1.75% to 3.50% to arrive at an interest rate of 7.3%.

(6) Represents the net increase in interest expense incurred in connection with the old notes offering, in addition to the net increase in amortization of related deferred debt issuance costs as follows:

	Year Ended December 31, 2006	Nine Months Ended September 30, 2007
Interest on old notes, net of interest on 2006 notes	$ 18.2	$ 16.7
Amortization of deferred debt issuance costs on the old notes, net of amortization of deferred debt issuance costs on the 2006 notes	0.1	0.3
	$ 18.3	$ 17.0

For purposes of calculating pro forma interest expense on the old notes, historical LIBOR as of September 30, 2007 was used (5.23%), and the spread above LIBOR was 6.00% for the year ended December 31, 2006 to arrive at a cash interest rate of 11.23%; the spread above LIBOR was 6.25% for the nine months ended September 30, 2007 to arrive at a cash interest rate of 11.48%. We have not adjusted our interest expense to give effect to the interest payable on the approximately $8.3 that was borrowed under the ABL facility in connection with the 2006 notes redemption because it is a borrowing in connection with a one-time event. The old notes were issued net of a 3.0% original issue discount from the aggregate initial principal amount of $300.0, resulting in an effective interest rate of 12.28%. This assumes interest on the notes is paid in cash. In the event a PIK Payment is made on the notes after the first interest period, the margin over LIBOR on the notes would increase by 0.75% over the spread for each period in which a PIK Payment is made. Each one-quarter percent change in the interest rate on the notes offered hereby would increase pro forma cash interest expense by $0.7 on an annual basis.

Table of Contents

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

On May 18, 2005, Metals USA Holdings and its indirect wholly-owned subsidiary, Flag Acquisition Corporation, entered into an agreement and plan of merger with Metals USA. On November 30, 2005, Flag Acquisition merged with and into Metals USA, with Metals USA being the surviving corporation. Metals USA Holdings, Flag Intermediate and Flag Acquisition conducted no operations during the period May 9, 2005 (date of inception) to November 30, 2005.

We applied purchase accounting on the closing date of the Merger and, as a result, the merger consideration was allocated to the respective values of the assets acquired and liabilities assumed from the Predecessor Company. As a result of the application of purchase accounting, the Successor Company balances and amounts presented in the consolidated financial statements and footnotes are not comparable with those of the Predecessor Company.

During 2001, the Predecessor Company filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code, from which it emerged on October 31, 2002. Upon our emergence from bankruptcy, the Predecessor Company adopted Fresh-Start Reporting accounting as contained in AICPA Statement of Position 90-7, Financial Reporting for Entities in Reorganization under the Bankruptcy Code.

The consolidated financial statements of the Predecessor Company after October 31, 2002 are not comparable to the consolidated financial statements of the Predecessor Company prior to November 1, 2002. The principal differences relate to the exchange of shares of new common stock for pre-petition liabilities subject to compromise, issuance of warrants in exchange for the extinguished old common stock, adjustments to reflect the fresh-start impact on the carrying value of certain non-current assets and elimination of the retained deficit.

The following table sets forth our selected historical consolidated financial data as of the dates and for the periods indicated. The selected historical consolidated financial data for the year ended December 31, 2004, and for the period from January 1, 2005 to November 30, 2005 for the Predecessor Company and as of December 31, 2005 and for the period from May 9, 2005 (date of inception) to December 31, 2005, and the year ended December 31, 2006, for the Successor Company have been derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. The Successor Company had no assets and conducted no operations from May 9, 2005 (date of inception) to November 30, 2005. The selected historical consolidated financial data as of December 31, 2002, 2003 and 2004 and for each of the two years in the period ended December 31, 2003 presented in this table have been derived from our Predecessor Company s audited consolidated financial statements not included in this prospectus. The historical consolidated financial data for the nine month periods ended September 30, 2006 and 2007 have been derived from our unaudited consolidated financial statements, included elsewhere in this prospectus. The September 30, 2006 and 2007 unaudited consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The historical audited consolidated financial statements not included in this prospectus from which the selected historical consolidated data was derived have been reclassified to give effect to discontinued operations identified during 2002. The results of any interim period are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year, and the historical results set forth below do not necessarily indicate results expected for any future period. The selected historical consolidated financial data set forth below should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes thereto included elsewhere in this prospectus.

Table of Contents

	Predecessor Company(1)					Successor Company(2)			
	Period from January 1, 2002 to October 31, 2002(1)	Period from November 1, 2002 to December 31, 2002	Year Ended December 31, 2003	Year Ended December 31, 2004	Period from January 1, 2005 to November 30, 2005	Period from May 9, 2005 (Date of Inception) to December 31, 2005	Year Ended December 31, 2006	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2007
					(in millions)				
Operation Data:									
Net sales	$ 833.3	$ 128.7	$ 963.2	$ 1,509.8	$ 1,522.1	$ 116.9	$ 1,802.9	$ 1,365.4	$ 1,413.1
Costs and expenses:									
Cost of sales (exclusive of operating and delivery, and depreciation and amortization shown below)	639.0	98.7	731.6	1,080.1	1,189.3	92.5	1,371.8	1,038.6	1,083.2
Operating and delivery	110.1	18.3	127.7	144.4	139.1	12.8	175.5	131.2	133.6
Selling, general and administrative(3)	79.5	12.6	87.0	109.6	108.5	9.3	115.2	87.2	86.5
Depreciation and amortization(4)	7.5		0.5	2.0	3.1	1.4	21.4	13.4	15.5
Integration credits(5)	(3.2)								
Impairment of property and equipment	3.0								0.2
Operating income (loss)	(2.6)	(0.9)	16.4	173.7	82.1	0.9	119.0	95.0	94.1
Interest expense	15.8	1.3	5.7	8.4	12.0	4.1	54.6	39.6	63.7
Loss on extinguishment of debt									8.4
Other (income) expense	(1.1)	0.1	(2.0)	(2.5)	(0.1)		(0.7)	(0.5)	(0.8)
Fresh-start adjustments	109.7								
Gain on reorganization	(190.6)								
Reorganization expenses	28.3								
Income (loss) before taxes and discontinued operations	35.3	(2.3)	12.7	167.8	70.2	(3.2)	65.1	55.9	22.8
Provision (benefit) for income taxes	(15.4)		5.1	63.3	26.7	(1.2)	25.8	22.6	10.7
Income (loss) from continuing operations	50.7	(2.3)	7.6	104.5	43.5	(2.0)	39.3	33.3	12.1
Income (loss) from discontinued operations, net of taxes	0.6	(1.0)	(0.1)						
Net income (loss)	$ 51.3	$ (3.3)	$ 7.5	$ 104.5	$ 43.5	$ (2.0)	39.3	$ 33.3	$ 12.1

Table of Contents

	Predecessor Company(1)			Successor Company(2)		
	As of December 31,			As of December 31,		As of September 30,
	2002	2003	2004	2005	2006	2007
	(in millions)					
Balance Sheet Data:						
Cash	$ 6.3	$ 11.4	$ 12.6	$ 11.3	$ 155.8	$ 17.3
Working capital	318.2	303.4	565.0	453.7	713.6	524.2
Total assets	378.6	407.2	710.0	795.3	1,127.0	990.2
Total debt	128.7	118.7	270.6	473.5	755.4	876.3
Total liabilities	189.6	206.6	381.8	662.9	979.4	1,117.9
Stockholders equity (deficit)	189.0	200.6	328.2	132.4	147.6	(127.7)

	Predecessor Company(1)					Successor Company(2)			
	Period from January 1, 2002 to October 31,	Period from November 1, 2002 to December 31,	Year Ended December 31,		Period from January 1, 2005 through November 30,	Period from May 9, 2005 (Date of Inception) to December 31,	Year Ended December 31,	Nine Months Ended September 30,	
	2002(1)	2002	2003	2004	2005	2005	2006	2006	2007
	(dollars in millions)								
Cash Flow Data:									
Cash flows provided by (used in) operating activities	$ 8.4	$ 14.5	$ 26.9	$ (128.6)	$ 170.1	$ 7.3	$ (45.7)	$ (51.2)	$ 98.2
Cash flows provided by (used in) investing activities	80.2	6.4	(11.8)	(16.0)	(15.8)	(434.5)	(61.0)	(56.8)	(53.4)
Cash flows provided by (used in) financing activities	(141.9)	(33.7)	(10.0)	145.8	(120.7)	438.5	251.2	108.5	(183.3)
Other Operating Data:									
Shipments (in thousands of tons)(6)	1,126	171	1,288	1,502	1,332	107	1,505	1,152	1,085
Capital expenditures	3.0	0.5	17.5	17.4	15.9	4.4	16.9	11.1	16.0
Other Financial Data:									
Deficiency of earnings to fixed charges		$ 2.3				$ 3.2(7)			
Ratio of earnings to fixed charges(8)	2.7x		2.2x	13.3x	5.1x	0.3x(7)	2.1x	2.3x	1.3x

(1) On October 31, 2002, we emerged from bankruptcy. As a result of the application of Fresh-Start Reporting, our financial information as of any date or for any periods after October 31, 2002 is not comparable to our historical financial information before November 1, 2002.

(2) The Apollo Transaction was accounted for as a purchase, with the Successor Company applying purchase accounting on the closing date of the Merger. As a result, the merger consideration was allocated to the respective fair values of the assets acquired and liabilities assumed from the Predecessor Company. The fair value of inventories, property and equipment and intangibles (customer lists) were increased by $14.9 million, $118.6 million and $22.2 million, respectively. For the one-month period ended December 31, 2005, the Successor Company s operating costs and expenses increased by $5.2 million ($4.1 million for cost of sales and $1.1 million of additional depreciation and amortization) as the inventory was sold and additional depreciation and amortization was recorded. For the year ended December 31, 2006, the Successor Company s operating costs and expenses increased by $23.9 million ($10.8 million for cost of sales as inventory was sold in the first quarter of 2006, and $13.1 million of additional depreciation and amortization). As a result of the application of purchase

accounting, the Successor Company balances and amounts presented in the consolidated financial statements are not comparable with those of the Predecessor Company.

Table of Contents

(3) We incurred certain non-recurring costs related to the Apollo Transaction that were charged to the Predecessor Company s selling, general and administrative expense during the period from January 1, 2005 to November 30, 2005. Such expenses of $15.8 million included $14.6 million paid by us on the closing date of the Merger to holders of 1,081,270 vested in-the-money options and holders of 45,437 restricted stock grant awards related to the long-term incentive compensation plan of the Predecessor Company. Additionally, we recorded expenses of $0.8 million related to severance costs and $0.4 million for other costs associated with Apollo Transaction.
(4) Excludes depreciation expense reflected in cost of sales for the Building Products Group.
(5) Reflects unexpended amounts associated with integration accruals made in 1999 and 2001.
(6) Expressed in thousands of tons, for our Plates and Shapes and Flat Rolled and Non-Ferrous Groups combined. Shipments in tons is not an appropriate measure for our Building Products Group.
(7) The ratio of earnings to fixed charges for the combined Predecessor Company for the period from January 1, 2005 to November 30, 2005 and the Successor Company for the period from May 9, 2005 (Date of Inception) to December 31, 2005 was 4.1x.
(8) For the purposes of calculating the ratio of earnings to fixed charges, earnings represent income (loss) before income taxes and discontinued operations plus fixed charges. Fixed charges consist of financing costs and the portion of operational rental expense which management believes is representative of interest within rent expense.

Table of Contents

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

The following discussion and analysis of our results of operations and financial condition covers periods prior to the consummation of the Apollo Transaction. Accordingly, except where indicated, the discussion and analysis of historical periods does not reflect the significant impact that the Apollo Transaction and the notes offering or exchange offer will have on us, including significantly increased leverage and liquidity requirements. You should read the following discussion of our results of operations and financial condition with the Unaudited Pro Forma Condensed Consolidated Financial Information, Selected Historical Consolidated Financial Data and the audited and unaudited historical consolidated financial statements and related notes included elsewhere in this prospectus. In addition, the following discussion and analysis does not take into account the impact on us of the recent acquisitions. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the Risk Factors section of this prospectus. Actual results may differ materially from those contained in any forward-looking statements. In addition, certain of the descriptions of our operating and financial measures may not be directly comparable to similar classifications used by other companies.

Overview

We are a leading provider of value-added processed steel, aluminum and specialty metals and manufactured metal components. Approximately 89% of our 2006 revenue was derived from our metal service center activities that are segmented into two groups, Plates and Shapes and Flat Rolled and Non-Ferrous. The remaining portion of our 2006 revenue was derived from our Building Products Group that manufactures and sells products primarily related to the residential remodeling industry. We purchase metal from primary producers that generally focus on large volume sales of unprocessed metals in standard configurations and sizes. In most cases, we perform the customized, value-added processing services required to meet the specifications provided by end-use customers. Our Plates and Shapes Group and Flat Rolled and Non-Ferrous Group customers are in the machining, furniture, transportation equipment, power and process equipment, industrial/commercial construction/fabrication, consumer durables and electrical equipment businesses, as well as machinery and equipment manufacturers. Less than 4% of our sales are to the automotive industry and we do not sell directly to the Big Three automobile manufacturers. Our Building Products Group customers are distributors and contractors engaged in the residential remodeling industry.

Matters Impacting Comparability of Results

Merger with Flag Acquisition. On November 30, 2005, Flag Acquisition, a wholly-owned subsidiary of Flag Intermediate, merged with and into Metals USA, with Metals USA being the surviving corporation. The Merger was consummated pursuant to an agreement and plan of merger by and among Metals USA, Metals USA Holdings and Flag Acquisition. As a result of the Merger, all of the issued and outstanding capital stock of Metals USA is held indirectly by Metals USA Holdings through Flag Intermediate, its wholly-owned subsidiary. Flag Intermediate has no assets other than its investment in Metals USA, conducts no operations and is a guarantor of both the ABL facility and the Metals USA notes. Immediately prior to the closing date of the Merger, all outstanding shares of our common stock were cancelled in exchange for a cash payment of $22.00 per share of such common stock. Investment funds associated with Apollo own approximately 97% of the capital stock of Metals USA Holdings (or approximately 90% on a fully-diluted basis). The remainder of the capital stock of Metals USA Holdings is held by members of our management.

Although the Merger has not affected our operations, it has significantly affected our results of operations as reported in our financial statements. In 2005, we incurred approximately $15.8 million of nonrecurring expenses relating primarily to stock option redemptions, severance packages and the amortization of certain prepaid expenses in connection with the closing of the Merger. As a result of the Merger, in 2006 and in the future, we will experience increased non-cash expenses related to purchase price adjustments and increased interest expense resulting from the larger debt component of our capital structure.

As a result of the Merger, the fair value of inventories, property and equipment and intangibles (customer lists) were increased by $14.9 million, $118.6 million and $22.2 million, respectively. For the Successor Company for the period from May 9, 2005 (date of inception) to December 31, 2005, operating costs and expenses were increased by $5.2 million ($4.1 million for cost of sales and $1.1 million of additional depreciation and amortization) as the inventory was sold and additional depreciation and amortization was recorded. The fair value of deferred taxes and long-term liabilities were increased by $64.8 million and $3.1 million, respectively. Our intangible assets (customer lists) will be amortized over five years using an accelerated amortization method which approximates their useful life and economic value to us. Total acquisition costs were allocated to the acquired assets and assumed liabilities based upon estimates of their respective fair values as of the closing date of the Merger using valuation and other studies.

As a result of the items discussed below, operating income is not comparable for the periods listed below. Operating income includes charges which affect comparability between periods as follows:

	Predecessor Company		Successor Company	
	Year Ended December 31, 2004	Period from January 1, 2005 to November 30, 2005	Period from May 9, 2005 (date of inception) to December 31, 2005	Year Ended December 31, 2006
	(in millions)			
Charges Included in Operating Income:				
Inventory purchase adjustments(1)	$	$	$ 4.1	$ 10.8
Stock options and grant expense(2)		15.0	0.4	1.2
Write-off of prepaid expenses as a result of the Merger(3)		0.3		
Facilities closure(4)	5.0			1.4
Severance costs(5)		0.7		
Management fees(6)			0.1	1.2

(1) As a result of management s analysis and evaluation of the replacement cost of inventory as of the closing of the Merger, a purchase adjustment of $14.9 million was recorded as of December 1, 2005 with $4.1 million of that amount charged to cost of sales in December 2005 and $10.8 million charged to cost of sales in the first quarter of 2006.

(2) The Predecessor Company paid $14.6 million on the closing date of the Merger to holders of 1,081,270 vested in-the-money options and holders of 45,437 restricted stock grant awards. Those amounts were recorded as an administrative expense during the period from January 1, 2005 to November 30, 2005. On January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123(R) Share-Based Payments, which we refer to in this prospectus as SFAS 123(R). In accordance with SFAS 123(R), we recognized $1.2 million of non-cash stock-based compensation expense in 2006.

(3) These prepaid amounts were written off as a result of the Merger.

(4) This amount represents $5.0 million of charges in the Building Products Group for the elimination of one layer of management and closure of eleven facilities in 2004. In addition, as a result of ongoing comprehensive review of our business segments, we closed three facilities within the Building Products Group in the fourth quarter of 2006.

(5) This amount represents severance costs of management personnel that were replaced as part of the Merger.

(6) Includes accrued expenses related to the management agreement with Apollo.

2006 Acquisitions. On May 17, 2006, Metals USA purchased all of the assets and business operations of Port City, located in Tulsa, Oklahoma, for approximately $41.3 million, including transaction costs and a $5.0 million contingent payout provision that may be made in 2009 or earlier, subject to certain performance

criteria. The maximum amount payable has been accrued in accordance with SFAS 141. Founded in 1977, Port City is a value-added processor of steel plate. Port City uses cutting-edge technologies in laser, plasma and oxyfuel burning, braking and rolling, drilling and machining, and welding to service its customers. Port City s range and depth of processing capabilities are highly complementary to the capital investments we have already made in the Plates and Shapes Group and we believe this acquisition positions us to be the pre-eminent plate processor in the southern United States. Port City operates out of a 533,000 square foot facility and has approximately 100 full-time employees. Port City s customers are predominately manufacturers of cranes and other heavy equipment, heat exchangers, and equipment specifically focused on the oil and gas industry. Port City has traditionally purchased metal from service centers and we believe we have gained immediate benefits by consolidating its metal needs into our overall purchasing process. We have also realized immediate benefits by selling Port City s high-value-added products through our sales force and to our existing customer base. We believe Port City is an important strategic addition to the south-central region of our Plates and Shapes Group.

On May 12, 2006, Metals USA purchased all of the assets and operations of Allmet with one manufacturing facility located near Toronto, Ontario, Canada and a sales and distribution facility located in California (which was subsequently closed) for approximately $10.4 million Canadian dollars (approximately U.S. $9.4 million). Allmet, then operating as Dura-Loc Roofing Systems Limited, was established in 1984 and is one of the leading stone-coated metal roof manufacturers in North America. Effective June 30, 2007, we changed the trade name from Dura-Loc Roofing Systems Limited to Allmet to better facilitate our marketing objectives. Allmet is also the only manufacturer of such product located in the eastern half of North America, a market not yet fully developed for the high-end, stone-coated metal products we produce. We believe this acquisition gives us significant additional capacity located in a potentially high growth market. In addition, by transforming Allmet s production processes to our methodologies, we have reduced Allmet s cost of production, further improving the benefits of the purchase. We believe the addition of Allmet to our stone-coated metal roofing division, Gerard Roofing Technology, provides us with a more economic and efficient way to gain access to an expanded product mix and leverage the combined sales force and research and development personnel, thereby solidifying our position as one of the largest stone-coated metal roofing manufacturers in North America.

Overview of Results

Net sales. We derive the net sales of our Plates and Shapes and Flat Rolled and Non-Ferrous Groups from the processing and sale of metal products to end-users including metal fabrication companies, general contractors and OEMs. Pricing is generally based upon the underlying metal cost as well as a margin associated with customized value-added services as specified by the customer. The net sales of our Building Products Group are derived from the sales of finished goods to local distributors and general contractors who are generally engaged in the residential remodeling industry.

Cost of sales. Our Plates and Shapes and Flat Rolled and Non-Ferrous Groups follow the normal industry practice which classifies, within cost of sales, the underlying commodity cost of metal purchased in mill form and the cost of inbound freight charges together with third-party processing cost, if any. Generally, the cost of metal approximates 75% of net sales for the Plates and Shapes and Flat Rolled and Non-Ferrous Groups. Cost of sales with respect to our Building Products Group includes the cost of raw materials, manufacturing labor and overhead costs, together with depreciation and amortization expense associated with property, buildings and equipment used in the manufacturing process. Amounts included within this caption may not be comparable to similarly titled captions reported by other companies.

Operating and delivery expense. Our operating and delivery expense reflects the cost incurred by our Plates and Shapes and Flat Rolled and Non-Ferrous Groups for labor and facility costs associated with the value-added metal processing services that we provide. With respect to our Building Products Group, operating costs are associated with the labor and facility costs attributable to the distribution and warehousing of our finished goods at our service center facilities. Delivery expense reflects labor, material handling and other third party costs incurred with the delivery of product to customers. Amounts included within this caption may not be comparable to similarly titled captions reported by other companies.

Table of Contents

Selling, general and administrative expenses. Selling, general and administrative expenses include sales and marketing expenses, executive officers compensation, office and administrative salaries, insurance, accounting, legal, computer systems, and professional services and costs not directly associated with the processing, manufacturing, operating or delivery costs of our products. Amounts included within this caption may not be comparable to similarly titled captions reported by other companies.

Depreciation and amortization. Depreciation and amortization expense represents the costs associated with property, buildings and equipment used throughout the company except for depreciation and amortization expense associated with the manufacturing assets employed by our Building Products Group, which is included within cost of sales. This caption also includes amortization of intangible assets.

Industry Trends

Metal Service Centers

Over the past several years, there has been significant consolidation among the major domestic metals producers. The top three steel producers now control over 60% of the domestic flat rolled steel market, which has created a metals pricing environment characterized by a more disciplined approach to production and pricing. The domestic suppliers have largely exited their non-core metal service and distribution functions to focus on reducing production costs and driving efficiencies from their core metals production activities. Increasingly, metal service centers like us have continued to capture a greater proportion of these key functions once served by the major metals producers.

In 2004, increased demand for steel in China, shortages of raw materials such as coking coal, iron ore and oil, increased demand for scrap, the weak U.S. dollar and increased freight rates all contributed to significant increases in prices for domestic metal of all types, particularly steel. Further, improved economic conditions in Europe, Asia, and North America contributed to a higher level of demand for steel. During most of 2004, supplies of many products were constrained, which also led to price increases.

In early 2005, the three iron ore suppliers controlling about 80% of the world market announced a 71.5% price increase to the integrated steel mills in Europe and Asia. This iron ore price increase was unprecedented and resulted in cost increases for the European and other large integrated steel mills throughout the world. During 2006, the industry experienced a modest rising price trend with localized periods of supply and demand imbalance. Import volumes grew aggressively during the second half of the year. As a result, for the third time since the domestic mills consolidated, domestic production was scaled back to bring supply and demand back into balance.

With the domestic steel producers taking a more disciplined approach to managing inventory levels through production curtailment, flat-rolled steel market conditions improved during the first nine months of 2007, resulting in moderate increases in selling values. Market conditions for non-ferrous products, which improved steadily through the first half of the year, softened in the third quarter of 2007 as a result of a downward trend in stainless steel surcharges. The timing of the effect that further price trends will have on the domestic market is difficult to predict, and any number of political or general economic factors could cause prices to decline.

Building Products

According to the Joint Center for Housing Studies of Harvard University, between the rise in interest rates and the slowdown in house price appreciation, sales of existing homes softened in 2006, and the decrease has continued through the first nine months of 2007. Existing home sales are an important driver of remodeling activity, with sellers of older properties typically making improvements before putting their homes on the market, and recent buyers typically making changes to customize their new homes to their tastes. While signs of a construction cutback have been appearing since early 2006, direct evidence of a remodeling slowdown emerged in late 2006 and has continued through the first nine months of 2007. Retail sales at building and supply dealers have weakened after adjusting for inflation in product price. These businesses sell home products and supplies to do-it-yourself and buy-it-yourself homeowners, as well as directly to professional general contractors and the trades.

Product demand for the Company s Building Products Group may be influenced by numerous factors such as interest rates, general economic conditions, consumer confidence and other factors beyond our control. Declines in existing home sales and remodeling expenditures due to such factors could significantly reduce the segment s performance.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of this process forms the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. We review our estimates and judgments on a regular, ongoing basis. Actual results may differ from these estimates due to changed circumstances and conditions.

The following accounting policies and estimates are considered critical in light of the potentially material impact that the estimates, judgments and uncertainties affecting the application of these policies might have on our reported financial information.

Accounts receivable. We recognize revenue generally as product is shipped (risk of loss for our products generally passes at time of shipment), net of provisions for estimated returns. Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of trade accounts and notes receivable. Collections on our accounts receivable are made through several lockboxes maintained by our lenders. Credit risk associated with concentration of cash deposits is low as we have the right of offset with our lenders for the substantial portion of our cash balances. Concentrations of credit risk with respect to trade accounts receivable are within several industries. Generally, credit is extended once appropriate credit history and references have been obtained. We perform ongoing credit evaluations of customers and set credit limits based upon reviews of customers current credit information and payment history. We monitor customer payments and maintain a provision for estimated credit losses based on historical experience and specific customer collection issues that we have identified. Provisions to the allowance for doubtful accounts are made monthly and adjustments are made periodically based upon our expected ability to collect all such accounts. Generally we do not require collateral for the extension of credit.

Each month we consider all available information when assessing the adequacy of the provision for allowances, claims and doubtful accounts. Adjustments made with respect to the allowance for doubtful accounts often relate to improved information not previously available. Uncertainties with respect to the allowance for doubtful accounts are inherent in the preparation of financial statements. The rate of future credit losses may not be similar to past experience.

Inventories. Inventories are stated at the lower of cost or market. Our inventories are accounted for using a variety of methods including specific identification, average cost and the first-in first-out method of accounting. We regularly review inventory on hand and record provisions for damaged and slow-moving inventory based on historical and current sales trends. Changes in product demand and our customer base may affect the value of inventory on hand, which may require higher provisions for damaged and slow-moving inventory.

Table of Contents

Adjustments made with respect to the inventory valuation allowance often relate to improved information not previously available. Uncertainties with respect to the inventory valuation allowance are inherent in the preparation of financial statements. The rate of future losses associated with damaged or slow moving inventory may not be similar to past experience.

Combined and Consolidated Results of Operations

The following financial information reflects our historical financial statements. The results of operations data for 2005 includes the Predecessor Company results for the period January 1, 2005 through November 30, 2005 and the Successor Company results for the period May 9, 2005 (date of inception) through December 31, 2005. See Results of Operations 2005 Successor Company and Predecessor Company Results Combined Non-GAAP below for information on our combined results for the fiscal year ended December 31, 2005, combining the results for the Successor Company from May 9, 2005 (date of inception) to December 31, 2005, and the results for the Predecessor Company from January 1, 2005 to November 30, 2005.

	Fiscal Years Ended December 31,					
	2006	**%**	**2005**	**%**	**2004**	**%**
	(in millions, except percentages)					
Net sales	$ 1,802.9	*100.0%*	$ 1,639.0	*100.0%*	$ 1,509.8	*100.0%*
Cost of sales	1,371.8	*76.1%*	1,281.8	*78.2%*	1,080.1	*71.5%*
Operating and delivery	175.5	*9.7%*	151.9	*9.3%*	144.4	*9.6%*
Selling, general and administrative	115.2	*6.4%*	117.8	*7.2%*	109.6	*7.3%*
Depreciation and amortization	21.4	*1.2%*	4.5	*0.3%*	2.0	*0.1%*
Operating income (loss)	119.0	*6.6%*	83.0	*5.1%*	173.7	*11.5%*
Interest expense	54.6	*3.0%*	16.1	*1.0%*	8.4	*0.6%*
Other (income) expense, net	(0.7)		(0.1)		(2.5)	*(0.2)%*
Income before income taxes	$ 65.1	*3.6%*	$ 67.0	*4.1%*	$ 167.8	*11.1%*

Results of Operations Year Ended December 31, 2006 Compared to 2005

Net sales. Net sales increased $163.9 million, or 10.0%, from $1,639.0 million for the year ended December 31, 2005 to $1,802.9 million for the year ended December 31, 2006. The 2006 Acquisitions accounted for $48.1 million of the increase. The remaining increase of $115.8 million in sales was primarily attributable to a 5.7% increase in average realized prices and a 3.0% increase in volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups offset by a net sales decrease for our Building Products Group of $12.3 million (excluding the acquisition of Allmet).

Cost of sales. Cost of sales increased $90.0 million, or 7.0%, from $1,281.8 million for the year ended December 31, 2005, to $1,371.8 million for the year ended December 31, 2006. The 2006 Acquisitions accounted for $25.0 million of the increase and $10.8 million of the increase related to inventory purchase accounting. The remaining increase in cost of sales was primarily attributable to a 3.3% increase in the average cost per ton in addition to a 3.0% increase in volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups. Cost of sales as a percentage of net sales decreased from 78.2% in 2005 to 76.1% for 2006.

Operating and delivery. Operating and delivery expenses increased $23.6 million, or 15.5%, from $151.9 million for the year ended December 31, 2005 to $175.5 million for the year ended December 31, 2006. The 2006 Acquisitions accounted for $9.7 million of the increase. The remaining increase of $13.9 million was primarily due to higher labor costs and higher freight costs due to rising fuel prices and, to a lesser extent, higher volumes in our Plates and Shapes Group. As a percentage of net sales, operating and delivery expenses increased from 9.3% for the year ended December 31, 2005 to 9.7% for the year ended December 31, 2006.

Table of Contents

Selling, general and administrative. Selling, general and administrative expenses decreased $2.6 million, or 2.2%, from $117.8 million for the year ended December 31, 2005 to $115.2 million for the year ended December 31, 2006. This decrease was primarily due to the acceleration of payment of stock-based compensation during 2005 totaling $14.6 million as a result of the Merger. The 2006 Acquisitions accounted for an increase of $3.3 million during 2006. Other increases during 2006 were primarily due to higher salaries and incentive compensation, $3.3 million of personnel and advertising-related costs to improve the Building Products Group s sales and service and expand its presence on a national basis, an increase in bad debt expense of $1.0 million (primarily due to an increase of $1.9 million at our Flat Rolled and Non-Ferrous Group offset by decreases of $0.9 million at our other operating segments), an increase of $1.1 million related to management fees and an increase of $1.2 million in stock-based compensation expense due to the adoption of SFAS 123(R). As a percentage of net sales, selling, general and administrative expenses decreased from 7.2% for the year ended December 31, 2005 to 6.4% for the year ended December 31, 2006.

Depreciation and amortization. Depreciation and amortization increased $16.9 million, from $4.5 million for the year ended December 31, 2005 to $21.4 million for the year ended December 31, 2006. Of this increase, $13.1 million resulted from the revaluation of our long-lived assets as a result of the Merger, $1.9 million was due to increased amortization of customer list intangible assets related to the 2006 Acquisitions, $1.0 million was due to capital investments in facilities and equipment placed in service throughout 2005 and 2006, and $0.9 million was due to increased depreciation related to the 2006 Acquisitions.

Operating income. Operating income increased $36.0 million, from $83.0 million for the year ended December 31, 2005 to $119.0 million for the year ended December 31, 2006. This increase included $7.3 million of operating income from the 2006 Acquisitions. The remaining increase in operating income resulted from increased volumes and an increase in average realized prices that exceeded the increase in average costs per ton, in addition to lower selling, general and administrative expenses, partially offset by higher operating and delivery costs. As a percentage of net sales, operating income increased from 5.1% for the year ended December 31, 2005 to 6.6% for the year ended December 31, 2006.

Interest expense. Interest expense increased $38.5 million, or 239.1% from $16.1 million for the year ended December 31, 2005 to $54.6 million for the year ended December 31, 2006. This increase was primarily a function of higher debt levels and, to a lesser extent, higher effective interest rates. Our borrowings were significantly different between the two periods due to the Merger that occurred on November 30, 2005, the 2006 Acquisitions financed from our availability under our ABL facility, the $25.0 million dividend paid to stockholders on May 24, 2006, and the issuance of the 2006 notes.

Results of Operations Year Ended December 31, 2005 Compared to 2004

Net sales. Net sales increased $129.2 million, or 8.6%, from $1,509.8 million for the twelve months ended December 31, 2004 to $1,639.0 million for the twelve months ended December 31, 2005. The increase in sales was primarily attributable to a 13.6% increase in average realized prices partially offset by a 4.2% decrease in volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups. Net sales increased for our Building Products Group by $12.1 million.

Cost of sales. Cost of sales increased $201.7 million, or 18.7%, from $1,080.1 million for the twelve months ended December 31, 2004, to $1,281.8 million for the twelve months ended December 31, 2005. The increase in cost of sales was primarily attributable to a 25.6% increase in the average cost per ton partially offset by a 4.2% decrease in volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups. The increase in the average cost per ton was primarily due to an increase in the cost of raw materials and, to a lesser extent, a $4.1 million increase in costs related to purchase accounting. Cost of sales as a percentage of net sales increased from 71.5% in 2004 to 78.2% in 2005. This percentage increase was primarily due to the combination of higher average costs per ton and to a lesser extent a decrease in volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups.

Table of Contents

Operating and delivery. Operating and delivery expenses increased $7.5 million, or 5.2%, from $144.4 million for the twelve months ended December 31, 2004 to $151.9 million for the twelve months ended December 31, 2005. This increase was primarily due to increased labor and delivery costs. As a percentage of net sales, operating and delivery expenses decreased from 9.6% for the twelve months ended December 31, 2004 to 9.3% for the twelve months ended December 31, 2005. This percentage decrease was primarily due to the increased average realized sales prices in our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups.

Selling, general and administrative. Selling, general and administrative expenses increased $8.2 million, or 7.5%, from $109.6 million for the twelve months ended December 31, 2004 to $117.8 million for the twelve months ended December 31, 2005. This was principally due to the acceleration of payment of stock-based compensation totaling $14.6 million as a result of the Merger. As a percentage of net sales, selling, general and administrative expenses decreased from 7.3% for the twelve months ended December 31, 2004 to 7.2% for the twelve months ended December 31, 2005. This percentage decrease was primarily due to higher average realized sales prices being spread over higher net sales in our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups.

Depreciation and amortization. Depreciation and amortization increased $2.5 million, or 125%, from $2.0 million for the twelve months ended December 31, 2004 to $4.5 million for the twelve months ended December 31, 2005. The revaluation of our long-lived assets to fair value as a result of the Merger caused $1.1 million of the increase. The remaining increase of $1.4 million was primarily due to capital investments in facilities and equipment made during the prior twelve months.

Operating income. Operating income decreased $90.7 million, or 52.2%, from $173.7 million for the twelve months ended December 31, 2004 to $83.0 million for the twelve months ended December 31, 2005. This decrease was due primarily to an increase in the cost of raw materials and, to a lesser extent, a one-time cost of $14.6 million associated with the acceleration of payment of stock-based compensation and $5.2 million of additional costs related to purchase accounting.

Interest expense. Interest expense increased $7.7 million, or 91.7%, from $8.4 million for the twelve months ended December 31, 2004 to $16.1 million for the twelve months ended December 31, 2005. This increase was primarily due to the increased debt we incurred as a result of the Merger and, to a lesser extent, higher interest rates in 2005.

Table of Contents

Results of Operations by Segment

The results of operations by segment data for the fiscal year ended December 31, 2005 include the Predecessor Company results for the period January 1, 2005 through November 30, 2005 combined with the Successor Company results for the period May 9, 2005 (date of inception) through December 31, 2005. See Results of Operations 2005 Successor Company and Predecessor Company Results Combined Non-GAAP below for information on our combined results for the fiscal year ended December 31, 2005, combining the results for the Successor Company from May 9, 2005 (date of inception) to December 31, 2005, and the results for the Predecessor Company from January 1, 2005 to November 30, 2005.

	Fiscal Years Ended December 31, (in millions, except percentages)							
	Net Sales	%	Operating Costs and Expenses	%	Operating Income (Loss)	%	Capital Expenditures	Shipments(1)
2006:								
Plates and Shapes	$ 856.6	*47.5 %*	$ 760.7	*45.2 %*	$ 95.9	*80.6 %*	$ 11.1	843
Flat Rolled and Non-Ferrous	776.0	*43.0 %*	731.7	*43.5 %*	44.3	*37.2 %*	2.8	680
Building Products	189.8	*10.5 %*	180.1	*10.7 %*	9.7	*8.2 %*	2.7	
Corporate and other	(19.5)	*(1.0)%*	11.4	*0.6 %*	(30.9)	*(26.0)%*	0.3	(18)
Total	$ 1,802.9	*100.0 %*	$ 1,683.9	*100.0 %*	$ 119.0	*100.0 %*	$ 16.9	1,505
2005:								
Plates and Shapes	$ 694.7	*42.4 %*	$ 626.3	*40.3 %*	$ 68.4	*82.4 %*	$ 13.7	740
Flat Rolled and Non-Ferrous	770.9	*47.0 %*	735.4	*47.3 %*	35.5	*42.8 %*	2.5	723
Building Products	195.1	*11.9 %*	178.3	*11.4 %*	16.8	*20.2 %*	3.2	
Corporate and other	(21.7)	*(1.3)%*	16.0	*1.0 %*	(37.7)	*(45.4)%*	0.9	(24)
Total	$ 1,639.0	*100.0 %*	$ 1,556.0	*100.0 %*	$ 83.0	*100.0 %*	$ 20.3	1,439
2004:								
Plates and Shapes	$ 621.0	*41.1 %*	$ 517.8	*38.8 %*	$ 103.2	*59.4 %*	$ 10.3	751
Flat Rolled and Non-Ferrous	723.2	*47.9 %*	641.4	*48.0 %*	81.8	*47.0 %*	2.3	773
Building Products	183.0	*12.1 %*	175.1	*13.1 %*	7.9	*4.5 %*	2.2	
Corporate and other	(17.4)	*(1.1)%*	1.8	*0.1 %*	(19.2)	*(10.9)%*	2.6	(22)
Total	$ 1,509.8	*100.0 %*	$ 1,336.1	*100.0 %*	$ 173.7	*100.0 %*	$ 17.4	1,502

(1) Shipments are expressed in thousands of tons and are not an appropriate measure of volume for the Building Products Group.

Segment Results Year Ended December 31, 2006 Compared to 2005

Plates and shapes. Net sales increased $161.9 million, or 23.3%, from $694.7 million for the year ended December 31, 2005 to $856.6 million for the year ended December 31, 2006. The 2006 Acquisition of Port City accounted for $41.1 million of the increase. The remaining increase of $120.8 million was primarily due to a 5.9% increase in the average sales price per ton and a 10.8% increase in shipments for the year ended December 31, 2006 compared to the year ended December 31, 2005.

Operating costs and expenses increased $134.4 million, or 21.5%, from $626.3 million for the year ended December 31, 2005 to $760.7 million for the year ended December 31, 2006. The 2006 Acquisition of Port City accounted for $35.1 million of the increase. The remaining increase of $99.3 million was primarily attributable to the higher volumes of 10.8%, higher cost of raw materials of 4.8%, and additional costs of $6.3 million related to purchase accounting. Operating costs and expenses as a percentage of net sales decreased from 90.1% for the year ended December 31, 2005 to 88.8% for the year ended December 31, 2006.

66

Operating income increased by $27.5 million, from $68.4 million for the year ended December 31, 2005 to $95.9 million for the year ended December 31, 2006. The 2006 Acquisition of Port City accounted for $6.0 million of the increase. Operating income as a percentage of net sales increased from 9.8% for the year ended December 31, 2005 to 11.2% for the year ended December 31, 2006.

Flat rolled and non-ferrous. Net sales increased $5.1 million, or 0.6%, from $770.9 million for the year ended December 31, 2005 to $776.0 million for the year ended December 31, 2006. This increase was primarily due to a 7.0% increase in the average sales price per ton partially offset by a 5.9% decrease in shipments. Although prices were generally improving throughout the first three quarters of 2006, the ferrous Flat Rolled business remained competitive during the fourth quarter and, as a result, we elected to reduce sales volume to maintain our level of profitability. Sales of non-ferrous metals accounted for approximately 39% of the segment s sales product mix for 2006, compared to 32% for 2005.

Operating costs and expenses decreased $3.7 million, or 0.5%, from $735.4 million for the year ended December 31, 2005 to $731.7 million for the year ended December 31, 2006. This decrease was attributable to a decrease in volumes of 5.9%, offset by an increase in the cost of raw materials of 4.3%, a $6.2 million cost related to purchase accounting and an increase in bad debt expense of $1.9 million. Operating costs and expenses as a percentage of net sales decreased from 95.4% for the year ended December 31, 2005 to 94.3% for the year ended December 31, 2006.

Operating income increased by $8.8 million, from $35.5 million for the year ended December 31, 2005 to $44.3 million for the year ended December 31, 2006. This increase was primarily attributable to larger margins due to an increase in the average selling price per ton. Operating income as a percentage of net sales increased from 4.6% for the year ended December 31, 2005 to 5.7% for the year ended December 31, 2006.

Building products. Net sales decreased $5.3 million, or 2.7%, from $195.1 million for the year ended December 31, 2005 to $189.8 million for the year ended December 31, 2006, primarily due to Florida markets that have not returned to normal volumes following a 2005 surge in post-hurricane damage remediation. The decrease was partially offset by the 2006 Acquisition of Allmet, which accounted for $7.0 million of sales during the period.

Operating costs and expenses increased $1.8 million, or 1.0%, from $178.3 million for the year ended December 31, 2005 to $180.1 million for the year ended December 31, 2006. The 2006 Acquisition of Allmet accounted for $5.7 million of increased costs. This increase was offset by a decrease of $3.9 million attributable to a decrease in cost of sales due to reduced volumes, and increased margins, offset by a $3.3 million cost related to purchase accounting and increased costs of $3.3 million related to personnel and advertising costs to improve the Building Products Group s sales and service and expand its presence on a national basis. Operating costs and expenses as a percentage of net sales increased from 91.4% for the year ended December 31, 2005 to 94.9% for the year ended December 31, 2006 for the reasons discussed above.

Operating income decreased by $7.1 million, from $16.8 million for the year ended December 31, 2005 to $9.7 million for the year ended December 31, 2006. The 2006 Acquisition of Allmet accounted for $1.3 million of operating income. The remaining decrease of $8.4 million is primarily due to the $3.3 million cost related to inventory purchase accounting, the additional costs to improve Building Products Group s sales and services and expand its presence on a national basis, in addition to lower volumes. Operating income as a percentage of net sales decreased from 8.6% for the year ended December 31, 2005 to 5.1% for the year ended December 31, 2006.

Corporate and other. This category reflects certain administrative costs and expenses management has not allocated to its industry segments. These costs include compensation for executive officers, insurance, professional fees for audit, tax and legal services and data processing expenses. The negative net sales amount represents the elimination of intercompany sales. The operating loss decreased $6.8 million, from $37.7 million for the year ended December 31, 2005 to $30.9 million for the year ended December 31, 2006. This decrease was primarily due to the acceleration of payment of stock-based compensation during 2005 totaling $14.6 million as a result of the Merger. Partially offsetting this decrease were increases during 2006 due to a full year of amortization of customer list intangible assets recorded in 2005 in connection with the Merger, a full year of management fees incurred in connection with the Merger, and increased stock-based compensation expense due to the adoption of SFAS 123(R).

Segment Results Year Ended December 31, 2005 Compared to December 31, 2004

Plates and shapes. Net sales increased $73.7 million, or 11.9%, from $621.0 million in 2004 to $694.7 million in 2005. This increase is primarily due to a 13.5% increase in the average realized price per ton partially offset by a 1.5% decrease in volume. The increase in average realized sales price was primarily due to the industry-wide improvement in supply and demand characteristics for our products.

Operating costs and expenses increased $108.5 million, or 21.0%, from $517.8 million in 2004 to $626.3 million in 2005. This increase was primarily attributable to the higher costs of raw materials. Costs were also increased due to a $1.6 million cost related to purchase accounting. Operating costs and expenses as a percentage of net sales increased from 83.4% in 2004 to 90.2% in 2005. This percentage increase was primarily due to higher average costs per ton together with fixed costs being spread over a lower volume of net sales.

Operating income decreased by $34.8 million, or 33.7%, from $103.2 million in 2004 to $68.4 million in 2005. This decrease is primarily attributable to the increase in the cost of raw materials and, to a lesser extent, on an additional $1.6 million of costs related to purchase accounting. Operating income as a percentage of net sales decreased from 16.6% in 2004 to 9.8% in 2005.

Flat rolled and non-ferrous. Net sales increased $47.7 million, or 6.6%, from $723.2 million in 2004 to $770.9 million in 2005. This increase is primarily due to a 14.0% increase in the average realized price per ton partially offset by a 6.5% decrease in volume. The increase in average realized sales prices was primarily due to the industry-wide improvement in supply and demand characteristics for our products.

Operating costs and expenses increased $94.0 million, or 14.7%, from $641.4 million in 2004 to $735.4 million in 2005. This increase was primarily attributable to the higher cost of raw materials, partially offset by decreased volume. Costs also increased by $1.9 million related to purchase accounting. Operating costs and expenses as a percentage of net sales increased from 88.7% in 2004 to 95.4% in 2005. This percentage increase was primarily due to higher average costs per ton together with fixed costs being spread over a lower volume of net sales.

Operating income decreased by $46.3 million, or 56.6%, from $81.8 million in 2004 to $35.5 million in 2005. This decrease is primarily attributable to the increase in the cost of raw materials and to a lesser extent a $1.9 million cost related to purchase accounting. Operating income as a percentage of net sales increased from 11.3% in 2004 to 4.6% in 2005.

Building products. Net sales increased $12.1 million, or 6.6%, from $183.0 million in 2004 to $195.1 million in 2005. The increase in net sales was principally due to price increases and to a lesser extent increased demand for these products.

Operating costs and expenses increased $3.2 million, or 1.8%, from $175.1 million in 2004 to $178.3 million in 2005, primarily due to higher sales. This increase was primarily driven by higher material costs and a $1.1 million cost related to purchase accounting. Operating costs and expenses as a percentage of net sales decreased from 95.7% in 2004 to 91.4% in 2005. Additionally, in 2004, we incurred $5.0 million of costs associated with the elimination of one layer of management and the closing of eleven redundant or unprofitable locations. These costs included $2.9 million in accrued expenses related to the disposal of real estate leases and $2.1 million in severance expense.

Table of Contents

Operating income increased by $8.9 million, or 112.7%, from $7.9 million in 2004 to $16.8 million in 2005. This increase was primarily due to price increases partially offset by a $1.1 million cost related to purchase accounting. Operating income as a percentage of net sales increased from 4.3% in 2004 to 8.6% in 2005.

Corporate and other. This category reflects certain administrative costs and expenses that we have not allocated to our industry segments. These costs include compensation for executive officers, insurance, professional fees for audit, tax and legal services and data processing expenses. The negative net sales amount represents the elimination of intercompany sales. The operating loss increased $18.5 million, or 96.4%, from $19.2 million in 2004 to $37.7 million in 2005. This increase is primarily attributable to costs related to the completion of the Merger, including $14.6 million paid on the closing date of the Merger to holders of 1,081,270 vested in-the-money options and holders of 45,437 restricted stock grant awards which was expensed in November 2005.

Results of Operations 2005 Successor Company and Predecessor Company Results Combined Non-GAAP

The following tables present our combined results for the fiscal year ended December 31, 2005, combining the results for the Successor Company from May 9, 2005 (date of inception) to December 31, 2005, and the results for the Predecessor Company from January 1, 2005 to November 30, 2005.

GAAP does not allow for such combination of the Predecessor Company s and the Successor Company s financial results; however, we believe the combined results provide information that is useful in evaluating our financial performance. The combined information is the result of merely adding the two columns and does not include any pro forma assumptions or adjustments. The Successor Company had no assets and conducted no operations from May 9, 2005 (date of inception) to November 30, 2005. We believe the Predecessor/Successor split of our results for the fiscal year ended December 31, 2005 would make it difficult for an investor to compare historical and future results. The Merger did not affect the operational activities of Metals USA and combining Predecessor and Successor results puts our operational performance into a meaningful format for comparative purposes.

As a result of the Merger, the fair value of inventories, property and equipment and intangibles (customer lists) were increased by $14.9 million, $118.6 million and $22.2 million, respectively. For the Successor Company for the period from May 9, 2005 (date of inception) to December 31, 2005, operating costs and expenses were increased by $5.2 million ($4.1 million for cost of sales and $1.1 million of additional depreciation and amortization) as the inventory was sold and additional depreciation and amortization was recorded. The fair value of deferred taxes and long-term liabilities were increased by $64.8 million and $3.1 million. Our intangible assets (customer lists) will be amortized over five years using an accelerated amortization method which approximates its useful life and value to us. Total acquisition costs were allocated to the acquired assets and assumed liabilities based upon estimates of their respective fair values as of the closing date of the Merger using valuation and other studies.

Table of Contents

	Predecessor Company Period from January 1, 2005 to November 30, 2005	Successor Company Period from May 9, 2005 (Date of Inception) to December 31, 2005	Combined Non-GAAP Year Ended December 31, 2005
		(in millions)	
Net sales	$ 1,522.1	$ 116.9	$ 1,639.0
Cost of sales(1)	1,189.3	92.5	1,281.8
Operating and delivery	139.1	12.8	151.9
Selling, general and administrative	108.5	9.3	117.8
Depreciation and amortization(1)	3.1	1.4	4.5
Operating income	82.1	0.9	83.0
Interest expense	12.0	4.1	16.1
Other (income) expense, net	(0.1)		(0.1)
Income (loss) before income taxes	$ 70.2	$ (3.2)	$ 67.0

The period from May 9, 2005 (date of inception) to December 31, 2005 includes one month of operations, the month of December, of Metals USA. There is a slight decrease in our business during the winter months because of the impact of inclement weather conditions on the construction industry. This decrease in business, as well as the increase in costs that were associated with purchase accounting of $5.2 million, resulted in a net loss of $3.2 million.

	2005 Combined By Segment					
	Net Sales	%	Operating Income (Loss)	%	Capital Expenditures	Shipments(2)
	(in millions, except percentages)					
Combined Non-GAAP 2005:						
Plates and Shapes	$ 694.7	*42.4%*	$ 68.4	*82.4%*	$ 13.7	740
Flat Rolled and Non-Ferrous	770.9	*47.0%*	35.5	*42.8%*	2.5	723
Building Products	195.1	*11.9%*	16.8	*20.2%*	3.2	
Corporate and other	(21.7)	*(1.3)%*	(37.7)	*(45.4)%*	0.9	(24)
Total	$ 1,639.0	*100.0%*	$ 83.0	*100.0%*	$ 20.3	1,439
Successor Company:						
Plates and Shapes	$ 54.5	*46.6%*	$ 4.0	*444.4%*	$ 4.1	57
Flat Rolled and Non-Ferrous	51.0	*43.6%*	0.6	*66.7%*	0.2	52
Building Products	13.2	*11.3%*	(0.7)	*(77.8)%*	0.1	
Corporate and other	(1.8)	*(1.5)%*	(3.0)	*(333.3)%*		(2)
Total	$ 116.9	*100.0%*	$ 0.9	*100.0%*	$ 4.4	107
Predecessor Company:						
Plates and Shapes	$ 640.2	*42.1%*	$ 64.4	*78.4%*	$ 9.6	683

Flat Rolled and Non-Ferrous	719.9	*47.3%*	34.9	*42.5%*	2.3	671
Building Products	181.9	*12.0%*	17.5	*21.3%*	3.1	
Corporate and other	(19.9)	*(1.4)%*	(34.7)	*(42.2)%*	0.9	(22)
Total	$ 1,522.1	*100.0%*	$ 82.1	*100.0%*	$ 15.9	1,332

(1) As a result of the Merger, the fair value of inventories, property and equipment and intangibles (customer lists) were increased by $14.9 million, $118.6 million and $22.2 million, respectively. For the Successor Company for the period from May 9, 2005 (date of inception) to December 31, 2005, operating costs and expenses were increased by $5.2 million ($4.1 million for cost of sales and $1.1 million of additional

Table of Contents

depreciation and amortization) as the inventory was sold and additional depreciation and amortization was recorded. On a segment basis, $5.2 million additional operating cost and expense was allocated as follows: Building Products $1.1 million, Flat Rolled and Non-Ferrous $1.9 million, Plates and Shapes $1.6 million, and Corporate $0.6 million.

(2) Shipments are expressed in thousands of tons and are not an appropriate measure of volume for the Building Products Group.

	Predecessor Company Period from January 1, 2005 to November 30, 2005	Successor Company Period from May 9, 2005 (Date of Inception) to December 31, 2005	Combined Non-GAAP Year Ended December 31, 2005
		(in millions)	
Cash Flow Data:			
Cash flows provided by (used in) operating activities	$ 170.1	$ 7.3	$ 177.4
Cash flows used in investing activities	(15.8)	(434.5)	(450.3)
Cash flows provided by (used in) financing activities	(120.7)	438.5	317.8

Results of Operations

The following unaudited consolidated financial information reflects our historical financial statements.

Consolidated Results Nine Months Ended September 30, 2007 Compared to September 30, 2006

	2007	%	2006	%
	(in millions, except percentages)			
Net sales	$ 1,413.1	*100.0%*	$ 1,365.4	*100.0%*
Cost of sales (exclusive of operating and delivery, and depreciation and amortization shown below)	1,083.2	*76.7%*	1,038.6	*76.1%*
Operating and delivery	133.6	*9.5%*	131.2	*9.6%*
Selling, general and administrative	86.5	*6.1%*	87.2	*6.4%*
Depreciation and amortization	15.5	*1.1%*	13.4	*1.0%*
Impairment of property and equipment	0.2			
Operating income	94.1	*6.7%*	95.0	*7.0%*
Interest expense	63.7	*4.5%*	39.6	*2.9%*
Loss on debt extinguishment	8.4	*0.6%*		*0.0%*
Other (income) expense, net	(0.8)		(0.5)	
Income before income taxes	$ 22.8	*1.6%*	$ 55.9	*4.1%*

Net sales. Net sales increased $47.7 million, or 3.5%, from $1,365.4 million for the nine months ended September 30, 2006 to $1,413.1 million for the nine months ended September 30, 2007. The acquisition of Lynch Metals accounted for $7.8 million of increased sales for the period. Results of operations for the 2006 Acquisitions, which closed in May 2006, were included for the entire nine-month period ending September 30, 2007, and as a result, accounted for $28.3 million of increased sales for the nine months ended September 30, 2007 versus the same period of 2006. The remaining increase of $11.6 million was primarily attributable to a 12.2% increase in average realized prices, partially offset by a 7.7% decrease in volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups, and by a net sales decrease of

$29.2 million for our Building Products Group.

Cost of sales. Cost of sales increased $44.6 million, or 4.3%, from $1,038.6 million for the nine months ended September 30, 2006, to $1,083.2 million for the nine months ended September 30, 2007. The Lynch Metals acquisition accounted for $4.8 million of additional cost of sales for the period, while the 2006

Table of Contents

Acquisitions accounted for $16.4 million of the increase. The remaining increase of $23.4 million was primarily attributable to a 13.3% increase in the average cost per ton, offset in part by a 7.7% decrease in volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Groups, and by a decrease of $18.3 million in cost of sales for our Building Products Group. Cost of sales as a percentage of net sales increased from 76.1% for the nine months ended September 30, 2006 to 76.7% for the same period in 2007.

Operating and delivery. Operating and delivery expenses increased $2.4 million, or 1.8%, from $131.2 million for the nine months ended September 30, 2006 to $133.6 million for the nine months ended September 30, 2007. The acquisition of Lynch Metals accounted for $0.3 million of additional operating and delivery expenses for the period, while the 2006 Acquisitions accounted for a $6.0 million increase. These increases were partially offset by lower variable costs of $3.9 million associated with decreased shipments. As a percentage of net sales, operating and delivery expenses decreased from 9.6% for the nine months ended September 30, 2006 to 9.5% for the nine months ended September 30, 2007.

Selling, general and administrative. Selling, general and administrative expenses decreased $0.7 million, or 0.8%, from $87.2 million for the nine months ended September 30, 2006 to $86.5 million for the nine months ended September 30, 2007. The acquisition of Lynch Metals accounted for $0.8 million of increased selling, general and administrative expenses for the period, while the 2006 Acquisitions accounted for a $0.9 million increase. These acquisition increases were offset by a decrease of $2.4 million, which was primarily attributable to lower salaries, incentive compensation and advertising expenses at our Building Products segment, in addition to lower bad debt expense at our Flat Rolled and Non-Ferrous Group. As a percentage of net sales, selling, general and administrative expenses decreased from 6.4% for the nine months ended September 30, 2006 to 6.1% for the nine months ended September 30, 2007.

Depreciation and amortization. Depreciation and amortization increased $2.1 million, or 15.7%, from $13.4 million for the nine months ended September 30, 2006 to $15.5 million for the nine months ended September 30, 2007. The acquisition of Lynch Metals accounted for $0.1 million of additional depreciation and amortization for the period, while the 2006 Acquisitions accounted for an increase of $2.6 million for the period.

Operating income. Operating income decreased $0.9 million, or 0.9%, from $95.0 million for the nine months ended September 30, 2006 to $94.1 million for the nine months ended September 30, 2007. The acquisition of Lynch Metals contributed $1.8 million of operating income for the period, while the 2006 Acquisitions accounted for a $2.3 million increase versus the same period of last year. The remaining decrease of $5.0 million resulted primarily from higher cost of sales, which was driven by an increase in average cost per ton. As a percentage of net sales, operating income decreased from 7.0% for the nine months ended September 30, 2006 to 6.7% for the nine months ended September 30, 2007.

*Interest expense***.** Interest expense increased $24.1 million, or 60.9%, from $39.6 million for the nine months ended September 30, 2006 to $63.7 million for the nine months ended September 30, 2007. This increase was primarily a function of higher debt levels for the nine months ended September 30, 2007, and to a lesser extent, higher effective interest rates. During December 2006, we issued $150.0 million initial aggregate principal amount of the 2006 Notes. In July 2007, we issued $300.0 million initial aggregate principal amount of the 2007 Notes (a portion of the proceeds of which were used to redeem the 2006 Notes). In addition, during the nine months ended September 30, 2007, the average daily balance outstanding on our ABL facility was $330.2 million, at a weighted average interest rate of 7.14%, compared to $254.3 million at 7.04% for the comparable period of 2006.

Table of Contents

Segment Results Nine Months Ended September 30, 2007 Compared to September 30, 2006

	Net Sales	Operating Costs and Expenses	Operating Income (Loss) (in millions)	Capital Spending	Tons Shipped(1)
2007:					
Plates and Shapes	$ 672.7	$ 599.0	$ 73.7	$ 11.6	626
Flat Rolled and Non-Ferrous	630.1	587.2	42.9	2.6	467
Building Products	121.0	118.6	2.4	1.4	
Corporate and other	(10.7)	14.2	(24.9)	0.4	(8)
Total	$ 1,413.1	$ 1,319.0	$ 94.1	$ 16.0	1,085
2006:					
Plates and Shapes	$ 646.5	$ 571.5	$ 75.0	$ 6.3	642
Flat Rolled and Non-Ferrous	583.8	551.1	32.7	2.3	525
Building Products	150.2	140.0	10.2	2.5	
Corporate and other	(15.1)	7.8	(22.9)	0.3	(15)
Total	$ 1,365.4	$ 1,270.4	$ 95.0	$ 11.4	1,152

(1) Shipments are expressed in thousands of tons and are not an appropriate measure for the Building Products Group.

Plates and Shapes. Net sales increased $26.2 million, or 4.1%, from $646.5 million for the nine months ended September 30, 2006 to $672.7 million for the nine months ended September 30, 2007. Results of operations for the 2006 Acquisition of Port City, which closed in May 2006, were included for the entire nine-month period ending September 30, 2007, and as a result, accounted for $27.5 million of increased sales for the nine months ended September 30, 2007 versus the same period of 2006. Apart from the increase attributable to Port City, net sales for the remainder of the segment decreased $1.3 million, primarily due to a 5.7% decrease in shipments for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006.

Operating costs and expenses increased $27.5 million, or 4.8%, from $571.5 million for the nine months ended September 30, 2006 to $599.0 million for the nine months ended September 30, 2007. The 2006 Acquisition of Port City accounted for $24.6 million of the increase. In addition, average cost per ton increased by 6.7%, partially offset by a 5.7% decrease in shipments for the nine months ended September 30, 2007. Operating costs and expenses as a percentage of net sales increased from 88.4% for the nine months ended September 30, 2006 to 89.0% for the nine months ended September 30, 2007.

Operating income decreased by $1.3 million, or 1.7%, from $75.0 million for the nine months ended September 30, 2006 to $73.7 million for the nine months ended September 30, 2007. The 2006 Acquisition of Port City accounted for $2.8 million of increased operating income for the nine months ended September 30, 2007 versus the same period of 2006. The remaining decrease of $4.1 million was primarily attributable to the decrease in net sales and the increase in operating costs and expenses discussed above. Operating income as a percentage of net sales decreased from 11.6 % for the nine months ended September 30, 2006 to 11.0% for the nine months ended September 30, 2007.

Flat Rolled. Net sales increased $46.3 million, or 7.9%, from $583.8 million for the nine months ended September 30, 2006 to $630.1 million for the nine months ended September 30, 2007. The acquisition of Lynch Metals contributed $7.8 million of additional net sales for the nine month period ended September 30, 2007. The remaining increase was primarily due to a 20.1% increase in the average sales price per ton, partially offset by an 11.2% decrease in shipments for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006. Business conditions and pricing were competitive for flat rolled and non-ferrous products during the first three quarters of 2007. As a result, we elected to reduce sales volume to maintain our level of profitability. Sales of non-ferrous metals accounted for 48.8% of the segment s sales product mix for the nine months ended September 30, 2007, compared to 38.4% for the same period of 2006.

Operating costs and expenses increased $36.1 million, or 6.6%, from $551.1 million for the nine months ended September 30, 2006 to $587.2 million for the nine months ended September 30, 2007. The acquisition of Lynch Metals accounted for $6.0 million of additional operating costs and expenses for the nine months ended September 30, 2007. The remaining increase was mostly attributable to an increase in the cost of raw materials of 20.8%, partially offset by an 11.2% decrease in shipments for the nine months ended September 30, 2007. Operating costs and expenses as a percentage of net sales decreased from 94.4% for the nine months ended September 30, 2006 to 93.2% for the nine months ended September 30, 2007.

Operating income increased by $10.2 million, or 31.2%, from $32.7 million for the nine months ended September 30, 2006 to $42.9 million for the nine months ended September 30, 2007. The acquisition of Lynch Metals contributed $1.8 million of operating income for the nine months ended September 30, 2007. The balance of the increase was primarily attributable to the increase in net sales discussed above, which, despite the decrease in shipments, produced higher margins due to the shift in product mix to more non-ferrous products. Operating income as a percentage of net sales increased from 5.6% for the nine months ended September 30, 2006 to 6.8% for the nine months ended September 30, 2007.

Building Products. Net sales decreased $29.2 million, or 19.4%, from $150.2 million for the nine months ended September 30, 2006 to $121.0 million for the nine months ended September 30, 2007. Results of operations for the 2006 Acquisition of Allmet, which closed in May 2006, were included for the entire nine-month period ending September 30, 2007, and as a result, accounted for $0.8 million of increased sales for the nine months ended September 30, 2007 versus the same period of 2006. New house production and existing home sales, both of which are primary drivers of residential remodeling activity, were down for the nine months ended September 30, 2007 versus the same period of 2006. The softness in the residential remodeling market, which was impacted by declines in existing home sales and new house production, contributed to the period-over-period net sales decrease for our Building Products Group.

Operating costs and expenses decreased $21.4 million, or 15.3%, from $140.0 million for the nine months ended September 30, 2006 to $118.6 million for the nine months ended September 30, 2007. The 2006 Acquisition of Allmet accounted for $1.3 million of increased costs, which was offset by lower operating costs and expenses associated with lower sales volumes, in addition to certain initiatives the segment has taken in response to the downturn in the housing and residential remodeling markets, including reductions in square footage under lease, standardization of service center layouts, and manufacturing consolidation. Operating costs and expenses as a percentage of net sales increased from 93.2% for the nine months ended September 30, 2006 to 98.0% for the nine months ended September 30, 2007.

Operating income decreased by $7.8 million, or 76.5%, from $10.2 million for the nine months ended September 30, 2006 to $2.4 million for the nine months ended September 30, 2007. The 2006 Acquisition of Allmet accounted for $0.5 million of the decrease. The remainder of the decrease was primarily attributable to the reductions in sales volumes discussed above. Operating income as a percentage of net sales decreased from 6.8% for the nine months ended September 30, 2006 to 2.0% for the nine months ended September 30, 2007.

Corporate and other. This category reflects certain administrative costs and expenses management has not allocated to its industry segments. These costs include compensation for executive officers, insurance, professional fees for audit, tax and legal services and data processing expenses. The negative net sales amount represents the elimination of intercompany sales. The operating loss increased $2.0 million, or 8.7%, from $22.9 million for the nine months ended September 30, 2006 to $24.9 million for the nine months ended September 30, 2007. This increase was primarily attributable to $3.5 million of higher stock-based compensation expense due to the accelerated vesting of stock options and partial settlement of existing awards in connection with the January

Table of Contents

2007 and July 2007 dividends paid by Metals USA Holdings to its stockholders, partially offset by lower amortization of the customer lists intangible asset recorded in connection with the Merger, which decreases over the useful life and economic value of the intangible asset, in addition to lower employee benefit costs and lower incentive compensation.

Liquidity and Capital Resources

Our primary sources of liquidity are borrowings under the ABL facility and our cash flow from operations. At September 30, 2007, our borrowing availability was $145.0 million and we had available cash of $17.3 million. Our borrowing availability fluctuates daily with changes in eligible accounts receivables and inventory, less outstanding borrowings and letters of credit. See Financing Activities below. On October 31, 2007, we had $289.0 million drawn on the ABL facility and borrowing availability of $154.9 million.

Operating and Investing Activities

Although we do not produce any metal, our financial performance is affected by changes in metal prices. As a processor and distributor of metal products, we maintain a constant inventory of steel and other metals that are subject to market pricing changes. When metal prices rise, we generally are able to sell our products at prices that are higher than their historical costs. Accordingly, our working capital (which consists primarily of accounts receivable and inventory) requirements and our profitability tend to increase in a rising price environment. Conversely, when metal prices fall, our working capital requirements and our profitability tend to decrease.

Changes in metal prices also affect our liquidity because of the time difference between our payment for our raw materials and our collection of cash from our customers. We sell our products and typically collect our accounts receivable within 45 days after the sale; however, we tend to pay for replacement materials (which are more expensive when metal prices are rising) over a much shorter period, primarily to benefit from early-payment discounts that are substantially higher than our cost of incremental debt. As a result, when metal prices are rising, we tend to draw more on the ABL facility to cover the cash flow cycle from material purchase to cash collection. When metal prices fall, we can replace our inventory at lower cost and, thus, generally do not need to access the ABL facility as much to cover the cash flow cycle. We believe our cash flow from operations, supplemented with the cash available under the ABL facility will provide sufficient liquidity to meet the challenges and obligations we face during the current metal price environment. Additionally, we intend to look for value-added businesses that we can acquire at reasonable prices. We intend to use cash flows from operations and excess cash available under the ABL facility to fund future acquisitions.

Cash Flows

The following discussion of the principal sources and uses of cash should be read in conjunction with our Consolidated Statements of Cash Flows which are set forth under Selected historical consolidated financial data.

Nine Months Ended September 30, 2007 Compared to September 30, 2006

During the nine months ended September 30, 2007, net cash provided by operating activities was $98.2 million. This amount represents net income, adjusted for costs that did not involve cash flows for the period, of $42.6 million, offset by changes in operating assets and liabilities that resulted in a cash inflow of $55.6 million for the period, an amount that was primarily attributable to decreases in inventories and increases in accounts payable and accrued liabilities partially offset by increases in accounts receivable. During the nine months ended September 30, 2006, net cash used in operating activities was $51.2 million. This amount represents net income, adjusted for costs that did not involve cash flows for the period, of $45.5 million, offset by changes in operating assets and liabilities that resulted in a cash outflow of $96.7 million, an amount that was primarily attributable to increases in accounts receivable and inventories, partially offset by decreases in prepaid expenses and increases in accounts payable and accrued liabilities.

Net cash used in investing activities was $53.4 million for the nine months ended September 30, 2007, and consisted primarily of $16.0 million of purchases of assets and $38.4 million for the acquisition of Lynch Metals. For the nine months ended September 30, 2007, the most significant internal capital project was the expansion of our New Orleans Plates and Shapes facility. Net cash used in investing activities was $56.8 million for the nine months ended September 30, 2006, and consisted of $11.1 million of purchases of assets, in addition to $45.7 million for the 2006 Acquisitions. For the nine months ended September 30, 2006, the most significant capital projects included an expansion of our non-ferrous Germantown, Wisconsin facility and the installation of new processing equipment in our New Orleans Plates and Shapes facility.

Net cash used in financing activities was $183.3 million for the nine months ended September 30, 2007, and consisted primarily of dividends paid to our stockholders of $288.5 million, in addition to net repayments on the ABL facility of $29.0 million and net issuances of long-term debt of $140.5 million. Net cash provided by financing activities was $108.5 million for the nine months ended September 30, 2006 and consisted primarily of net borrowings on the ABL facility of $136.1 million, partially offset by a $25.0 million cash dividend paid to our stockholders.

Year Ended December 31, 2006 Compared to Combined Year Ended December 31, 2005

The year ended December 31, 2005 includes the combined results for the Successor Company from May 9, 2005 (date of inception) to December 31, 2005, and the Predecessor Company from January 1, 2005 to November 30, 2005. See Results of Operations 2005 Successor Company and Predecessor Company Results Combined Non-GAAP above for information on our combined results for the fiscal year ended December 31, 2005, combining the results for the Successor Company from May 9, 2005 (date of inception) to December 31, 2005, and the results for the Predecessor Company from January 1, 2005 to November 30, 2005.

During the year ended December 31, 2006, net cash used in operating activities was $45.7 million. This amount represents net income, adjusted for costs that did not involve cash flows for the period, of $63.2 million, offset by changes in operating assets and liabilities that resulted in a cash outflow of $108.9 million for the period, an amount that was primarily attributable to increases in accounts receivable and inventories, partially offset by a decrease in prepaid expenses and increases in accounts payable and accrued liabilities.

During the year ended December 31, 2005, net cash provided by operating activities was $177.4 million. We had operating income of $83.0 million in 2005, and $116.5 million of cash was provided by the reduction of inventory and collection of accounts receivable.

Net cash used in investing activities was $61.0 million for the year ended December 31, 2006, and consisted of $1.6 million of proceeds from the sale of assets, offset by $16.9 million of purchases of assets and the $45.7 million for the purchase of Port City and Allmet. These purchases were strategic acquisitions in our Plates and Shapes and Building Products segments. For the year ended December 31, 2006, the most significant internal capital projects included the expansion of our non-ferrous Germantown, Wisconsin facility and the installation of new processing equipment in our New Orleans facility. Net cash used by investing activities for the year ended December 31, 2005 was $450.3 million and consisted of Flag Intermediate s acquisition of Metals USA pursuant to the Merger for $430.1 million, the purchase of assets of $20.3 million, which was partially offset by the sales of assets of $0.1 million. The most significant capital investments during the year included an acquisition of new laser cutting equipment at our Plates and Shapes facility in the New Orleans area, the expansion of our Plates and Shapes facility in Greensboro, North Carolina, and the purchase of previously leased Plates and Shapes facilities in Newark, New Jersey and York, Pennsylvania.

Net cash provided by financing activities was $251.2 million for the year ended December 31, 2006 and consisted primarily of net borrowings on the ABL facility of $137.6 million, in addition to proceeds of $144.8 million from the issuance of the 2006 notes, offset by the $25.0 million payment of a cash dividend. Net cash provided by financing activities was $317.8 million for the year ended December 31, 2005 and consisted primarily of the proceeds from the issuance of the Metals USA notes of $275.0 million, $191.4 million of borrowings under our ABL facility, and the net capital contribution from Apollo and certain members of management of $134.0 million. These were partially offset by payments of $107.7 million under our previous credit facility and the final payment of $145.3 million to payoff and terminate that facility as a result of the Merger.

Table of Contents

Financing Activities

The ABL Facility

The ABL facility permits us to borrow on a revolving basis through November 30, 2011. Substantially all of our subsidiaries are borrowers under the ABL facility.

Prior to June 8, 2007, the ABL facility provided for borrowings, subject to a borrowing base calculation, of up to $450.0 million, which was comprised of $425.0 million of Tranche A Commitments and $25.0 million of the Tranche A-1 Commitments. While the Tranche A-1 Commitments are outstanding, the borrowing base is subject to greater advance rates than would be otherwise in effect.

On July 18, 2006, Amendment No. 1 to the loan and security agreement governing our ABL facility, which we refer to in this prospectus as Amendment No. 1, was executed to: (1) modify the FCCR calculation solely with respect to permitted acquisitions, by excluding all dividends from the calculation, (2) allow the Adjusted EBITDA of our Canadian subsidiary to be included in our FCCR calculation and (3) change the definition of a qualified public offering to include an offering made by our parent company. This Amendment No. 1 did not have any impact on our covenant compliance.

On June 8, 2007, we executed the second amendment to the ABL facility, which we refer to in this prospectus as the June 2007 amendment, which increased the commitment from $450.0 million to $525.0 million, comprised of $500.0 million of Tranche A Commitments and $25.0 million of Tranche A-1 Commitments. Additionally, the June 2007 amendment reduced the borrowing cost on the Tranche A facility by 25 basis points, reduced the borrowing cost on the Tranche A-1 facility by 75 basis points and gave us the option to increase the Tranche A Commitments by $100.0 million. The June 2007 amendment did not have any impact on our current covenant compliance. Costs incurred in connection with the June 2007 amendment totaled $2.4 million, and are being amortized over the existing term of the ABL facility, which expires November 30, 2011.

Borrowing base. The maximum availability under the ABL facility is based on eligible receivables and eligible inventory, subject to certain reserves. Our borrowing availability fluctuates daily with changes in eligible receivables and inventory, less outstanding borrowings and letters of credit. The borrowing base is equal to the lesser of (a) the aggregate amount of the Tranche A Commitments and the Tranche A-1 Commitments and (b) the sum of:

- 85% of the net amount of eligible accounts receivable;
- the lesser of (x) 70% of the lesser of the original cost or market value of eligible inventory and (y) 90% of the net orderly liquidation value of eligible inventory; and
- at all times prior to the termination of the Tranche A-1 Commitments, the sum of 5% of the net amount of eligible accounts receivable and 5% of the net orderly liquidation value of eligible inventory.

Initial borrowings under the ABL facility were used to repay the outstanding amounts drawn under our existing revolving credit facility and to fund other costs and expenses related to the Merger. The loan and security agreement governing the ABL facility provides for up to $15.0 million of swing-line loans and up to $100.0 million for the issuance of letters of credit. Both the face amount of any outstanding letters of credit and any swing-line loans will reduce borrowing availability under the ABL facility on a dollar-for-dollar basis.

As of September 30, 2007, we had eligible collateral of $468.1 million, $300.0 million in outstanding advances, $15.5 million in open letters of credit and $145.0 million in additional borrowing capacity.

In May 2006, we used $36.3 million and $9.4 million of funds from the ABL facility to acquire the net assets of Port City and Allmet, respectively. Also in May 2006, we paid the May 2006 dividend in the amount of $25.0 million dividend to our stockholders, which was funded by the ABL facility.

In January 2007, we used the net proceeds from the issuance of the 2006 notes, as well as $8.2 million of additional borrowings under the ABL facility, to pay a cash dividend of approximately $144.8 million to our

stockholders, to make a cash payment (partially in lieu of the cash dividend) of $4.2 million to our vested stock option holders, and to pay fees and expenses related to the issuance of the 2006 notes, including a $1.5 million non-recurring transaction fee to Apollo.

On July 2, 2007, we purchased the business operations of Lynch Metals for approximately $42.4 million. The purchase price was funded by borrowings under the ABL facility, $38.4 million of which was paid at closing, and approximately $4.0 million of which is deferred and will be paid in various installments over the next two years.

Also in July 2007, we issued $300.0 million initial aggregate principal amount of the old notes. The net proceeds from the issuance of the old notes, as well as approximately $8.3 million of additional borrowings under the ABL facility, were used to redeem the 2006 notes (for approximately $150.0 million plus accrued and unpaid interest of approximately $5.4 million), to pay a cash dividend of approximately $130.3 million to our stockholders, which include Apollo and certain members of management, to make a cash payment (partially in lieu of the cash dividend) of approximately $9.2 million to our stock option holders, which include certain members of our management, and to pay fees and expenses related to the offering of the old notes.

Guarantees and security. Substantially all of our subsidiaries are defined as borrowers under such agreement. The obligations under the ABL facility are guaranteed by Flag Intermediate and certain of our domestic subsidiaries and are secured (i) on a first-priority lien basis by our, the other borrowers and the guarantors accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto and (ii) on a second-priority lien basis by substantially all of our, the other borrowers and the guarantors other assets, subject to certain exceptions and permitted liens.

Interest rate and fees. Interest is calculated based upon a margin (established within a specific pricing grid for loans utilizing Tranche A Commitments) over reference rates. The marginal rates vary with our financial performance as measured by the FCCR. The FCCR is determined by dividing (i) the sum of Adjusted EBITDA (as defined by the loan and security agreement governing the ABL facility) minus income taxes paid in cash minus non-financed capital expenditures by (ii) the sum of certain distributions paid in cash, cash interest expense and scheduled principal reductions on debt.

The interest rates with respect to loans utilizing the Tranche A Commitments are, at our option, (i) the higher of (a) the prime rate of Credit Suisse in effect at its principal office in New York City and (b) the federal funds effective rate plus 0.5%; plus, in each case, an applicable margin ranging between 0.25% and 0.50% as determined in accordance with the loan agreement or (ii) the rate (as adjusted) at which Eurodollar deposits for one, two, three, six or, if available, nine or twelve months, as selected by us, by reference to the British Bankers Association Interest Settlement Rates for deposits in dollars, plus an applicable margin ranging between 1.00% and 1.75% as determined in accordance with the loan and security agreement governing the ABL facility. The interest rates with respect to loans utilizing the Tranche A-1 Commitments are, at our option, (i) the higher of (a) the prime rate of Credit Suisse in effect at its principal office in New York City and (b) the federal funds effective rate plus 0.5%; in each case plus an applicable margin of 0.75% or (ii) the rate (as adjusted) at which Eurodollar deposits for one, two, three, six or, if available, nine or twelve months, as selected by us, by reference to the British Bankers Association Interest Settlement Rates for deposits in dollars, plus an applicable margin of 2.75%.

A commitment fee is payable on any unused commitments under the ABL facility of 0.25% per annum. The applicable base rate and the effective LIBOR rate were 7.75% and 5.23%, respectively, at September 30, 2007.

Certain covenants. The ABL facility contains customary representations, warranties and covenants as a precondition to lending, including a material adverse change in the business, limitations on our ability to incur or guarantee additional debt, subject to certain exceptions, pay dividends, or make redemptions and repurchases, with respect to capital stock, create or incur certain liens, make certain loans or investments, make acquisitions or investments, engage in mergers, acquisitions, asset sales and sale lease-back transactions, and engage in certain

Table of Contents

transactions with affiliates. In addition, the ABL facility requires a lock-box arrangement, which in the absence of default, is controlled by Metals USA. As long as our borrowing availability is $45.0 million or greater, we do not have to maintain a minimum FCCR. Should borrowing availability fall below $45.0 million, we must maintain an FCCR of at least 1.0 to 1.0.

Additionally, payments to affiliates are limited to the greater of $3.0 million or 3% of Adjusted EBITDA (as defined in the loan and security agreement governing the ABL facility) provided borrowing availability equals at least $25.0 million. Further, distributions in respect of capital stock are limited to the payment of up to $25.0 million, plus $5.0 million for each full fiscal quarter (with any amount not used in any fiscal quarter being permitted to be used in succeeding fiscal quarters), plus 50% of cumulative consolidated net income, or if a loss, minus 100% of the amount thereof, plus 100% of the aggregate net proceeds received by us from certain sales and issuances of capital stock or from certain capital contributions, of dividends in any fiscal quarter provided that borrowing availability is greater than $50.0 million.

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

The Metals USA Notes

On the closing date of the Merger, we received approximately $268.0 million of net cash proceeds from the sale of $275.0 million of the Metals USA Notes, after deducting expenses of the offering. Interest on the Metals USA Notes accrues at the rate of 11 1/8% per annum and is payable semiannually in arrears on June 1 and December 1 and commenced on June 1, 2006. We will pay interest on overdue principal at 1% per annum in excess of the above rate and will pay interest on overdue installments of interest at such higher rate to the extent lawful. The indenture governing the Metals USA Notes contains the covenants described under Covenant Compliance below.

The Metals USA Notes contain events of default with respect to: default in payment of principal when due, default in the payment of interest, fees or other amounts after a specified grace period, material breach of the representations or warranties, default in the performance of specified covenants, failure to make any payment when due under any indebtedness with a principal amount in excess of a specified amount, certain bankruptcy events, certain ERISA violations, invalidity of certain security agreements or guarantees, material judgments, or a change of control.

The 2006 Notes

During December 2006, we issued the 2006 notes. The 2006 notes were senior unsecured obligations that were not guaranteed by any of Metals USA Holdings subsidiaries. As such, the 2006 notes were structurally subordinated to all indebtedness and other liabilities (including trade payables) of Metals USA Holdings subsidiaries.

Because Metals USA Holdings principal asset is its investment in Flag Intermediate, Flag Intermediate provided funds to service the 2006 notes through payment of quarterly dividends to Metals USA Holdings. On April 16, 2007, Flag Intermediate paid Metals USA Holdings a $5.3 million dividend to finance the initial quarterly interest payment on the 2006 notes.

Table of Contents

In connection with the issuance of the old notes discussed below, Metals USA Holdings discharged its obligations under the indenture related to the previously issued 2006 notes by depositing with the trustee for the 2006 notes (i) an irrevocable notice of redemption of the 2006 notes and (ii) cash and United States government securities in an amount necessary to yield on August 9, 2007 approximately $156.0 million, which represents all amounts payable under the indenture relating to the 2006 notes on the August 9, 2007 redemption date.

The Notes

On July 10, 2007, we issued $300.0 initial aggregate principal of the old notes. The notes are senior unsecured obligations that are not guaranteed by any of Metals USA Holdings subsidiaries. As such, the notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of Metals USA Holdings subsidiaries.

The initial four interest payments on the notes are payable solely in cash. For any interest period thereafter, we may elect to pay interest (1) entirely in cash, which we refer to in this prospectus as the Cash Interest, (2) as PIK Interest, which would increase the principal amount of the notes or issuing new notes, or (3) as Partial PIK Interest, which is on 50% of the outstanding principal amount of the notes in cash and on 50% of the outstanding principal amount of the notes by increasing the principal amount of the outstanding notes or by issuing new notes. Cash interest on the notes will accrue at a rate per annum, reset quarterly, equal to LIBOR plus a spread of 6.00%, which increases by 0.25% to 6.25% in year 2, by 0.50% to 6.50% in year 3, and by 0.75% to 6.75% in year 4. In the event PIK Interest is paid on the notes after the first four interest periods, the then-applicable margin over LIBOR on the notes would increase by 0.75% for each period in which PIK Interest is paid. If we elect to pay any PIK Interest, we will increase the principal amount on the notes or issue new notes in an amount equal to the amount of PIK Interest for the applicable interest payment period to holders of the notes on the relevant record date.

Flag Intermediate provided funds to Metals USA Holdings in the amount of $7.7 million to finance the initial quarterly interest payment on the 2007 Notes, which was paid on October 1, 2007. Flag Intermediate expects to provide funds to Metals USA Holdings to finance the second quarterly interest payment on the 2007 Notes in the amount of $8.5 million due on January 1, 2008.

The terms of the ABL facility, as well as the indenture governing the Metals USA Notes, restrict Flag Intermediate and certain of its subsidiaries from making payments or transferring assets to Metals USA Holdings, including dividends, loans, or distributions. Such restrictions include prohibition of dividends in an event of default and limitations on the total amount of dividends paid to Metals USA Holdings. In the event these agreements do not permit Flag Intermediate to provide Metals USA Holdings with sufficient distributions to fund interest and principal payments on the notes when due, Metals USA Holdings may default on its notes unless other sources of funding are available. Amounts available under these restricted payment provisions amounted to $32.2 under the indenture governing the Metals USA Notes and $67.2 under the loan and security agreement governing the ABL facility as of September 30, 2007.

On or after January 15, 2008, Metals USA Holdings may redeem some or all of the notes at certain redemption prices, plus accrued and unpaid interest and additional interest, if any, to the redemption date. If Metals USA Holdings makes certain public offerings, sales or issuances of common stock, and does not redeem the notes, it will be required to make an offer to repurchase the maximum principal amount of the notes that may be purchased out of the proceeds thereof, at a price equal to 100% of the principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

The indenture governing the notes contains covenants that, among other things, limit Metals USA Holdings ability and the ability of certain of its subsidiaries to incur or guarantee additional indebtedness or issue disqualified or preferred stock, repurchase or redeem capital stock or subordinated indebtedness, pay dividends or make distributions to its stockholders, incur restrictions on the ability of its subsidiaries to pay dividends or to

Table of Contents

make other payments to Metals USA Holdings, transfer or sell assets, create liens, enter into transactions with affiliates, make investments or acquisitions, and merge or consolidate with other companies or transfer all or substantially all of its assets.

From time to time, depending upon market, pricing and other conditions, as well on our cash balances and liquidity, we may seek to repurchase a portion of the notes in the market. Additionally, our affiliates, which include Apollo, from time to time and depending upon market, pricing and other conditions, have purchased and may in the future purchase a portion of the notes in the market. Any such future purchases may be made in the open market, privately negotiated transactions, tender offers or otherwise.

Metals USA Holdings has agreed to file an exchange offer registration statement within 210 days of the issuance of the old notes to exchange the old notes for a new issue of substantially identical debt securities registered under the Securities Act. This prospectus constitutes such an exchange offer registration statement. Metals USA Holdings has also agreed to file a shelf registration statement to cover resales of the old notes under certain circumstances. If Metals USA Holdings fails to satisfy these obligations, it has agreed to pay additional interest to the holders of the old notes under certain circumstances. We expect to file a shelf registration statement on Form S-1 contemporaneously with the effectiveness of this exchange offer pursuant to which Apollo may sell all or a portion of any notes it holds in the market.

Covenant Compliance

Our FCCR as defined by the ABL facility is calculated based on a numerator consisting of Adjusted EBITDA less cash taxes and capital expenditures, and a denominator consisting of interest expense and certain distributions. As of September 30, 2007, our FCCR was 1.24. As of September 30, 2007, we had $145.0 million of additional borrowing capacity under the ABL facility. Failure to comply with the FCCR covenant of the ABL facility can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions.

The indenture governing the Metals USA Notes contains covenants that restrict our ability to take certain actions, such as incurring additional debt and making certain acquisitions, if we are unable to meet defined Adjusted EBITDA to Fixed Charges and consolidated total debt ratios (each, as defined). The covenants in the indenture require us to have an Adjusted EBITDA to Fixed Charge ratio (measured on a trailing four-quarter basis and calculated differently from the fixed charge coverage ratio as defined by the ABL facility) of 2.0 to 1.0 to incur ratio indebtedness and a consolidated total debt ratio of no greater than 4.75 to 1.0 to incur ratio indebtedness in connection with acquisitions. Based on the calculations for the trailing four quarters, we are able to satisfy these covenants and incur additional indebtedness under these ratios, including for acquisition purposes, under our indentures. The most restrictive of the covenants in all of our debt agreements is the FCCR in our ABL facility; accordingly, we have presented our covenant compliance on that basis.

Fixed charges are defined as interest expense excluding the amortization or write-off of deferred financing costs. Adjusted EBITDA is defined as EBITDA further adjusted to exclude certain non-cash, non-recurring and realized or expected future cost savings directly related to prior acquisitions. We believe that the inclusion of the supplemental adjustments applied in calculating Adjusted EBITDA is appropriate to provide additional information to investors to demonstrate compliance with our financial covenants and assess our ability to incur additional indebtedness in the future. EBITDA, adjusted EBITDA and fixed charges are not defined terms under GAAP. Adjusted EBITDA should not be considered an alternative to operating income or net income as a measure of operating results or an alternative to cash flows as a measure of liquidity. Fixed charges should not be considered an alternative to interest expense. Because we are highly leveraged, we believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA are appropriate to provide additional information to investors to demonstrate compliance with the covenants in our debt agreements.

As of September 30, 2007, we were in compliance with all of the debt covenants including those of the loan and security agreement governing the ABL facility and the indenture governing the Metals USA Notes. Both the loan and security agreement governing the ABL facility and the indenture governing the Metals USA Notes contain restrictions as to the payment of dividends. As of September 30, 2007, under the most restrictive of these

Table of Contents

covenants, the maximum amount of dividends that could be paid was $67.2 million under the loan and security agreement governing the ABL facility and $32.2 million under the indenture governing the Metals USA Notes. As of September 30, 2007, Flag Intermediate and its wholly owned subsidiary, Metals USA, had $161.2 million of total stockholder s equity.

We believe the cash flow from operations, supplemented by the cash available under the ABL facility, will be sufficient to enable us to meet our debt service and operational obligations as they come due for at least the next twelve months.

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA

	Historical				Pro Forma	Historical		Pro Forma
	Predecessor Company		Successor Company					
	Year Ended December 31, 2004	Period from January 1, to November 30, 2005	Period from May 9 (Date of Inception) to December 31, 2005	Year Ended December 31, 2006	2006	Nine Months Ended September 30, 2006	2007	2007
	(dollars in millions)							
Net income (loss)	$ 104.5	$ 43.5	$ (2.0)	$ 39.3	$ 15.4	$ 33.3	$ 12.1	$ 1.6
Depreciation and amortization	2.0	3.5	1.5	22.6	22.6	14.2	16.6	16.6
Interest expense	8.4	12.0	4.1	54.6	93.5	39.6	63.7	80.9
Loss on extinguishment of debt							8.4	8.4
Provision (benefit) for income taxes	63.3	26.7	(1.2)	25.8	10.6	22.6	10.7	4.0
Other (income) expense	(2.5)	(0.1)		(0.7)	(0.7)	(0.5)	(0.8)	(0.8)
EBITDA	175.7	85.6	2.4	141.6	141.4	109.2	110.7	110.7
Indenture covenant defined adjustments:								
Inventory purchase adjustments(1)			4.1	10.8	10.8	10.8		
Stock options and grant expense(2)		15.0	0.4	1.2	1.4	1.0	4.5	4.5
Write-off prepaid expenses as result of Merger(3)		0.3						
Effect of acquisitions(4)					3.7			
Facilities closure(5)	5.0			1.4	1.4		0.2	0.2
Severance costs(6)		0.7						
Management fees(7)			0.1	1.2	1.2	0.9	0.9	0.9
Adjusted EBITDA	$ 180.7	$ 101.6	$ 7.0	$ 156.2	$ 159.9	$ 121.9	$ 116.3	$ 116.3
Fixed charge coverage ratio(8)	N/A	N/A	N/A	1.51	1.47	1.52	1.24	1.24

(1) As a result of management s analysis and evaluation of the replacement cost of inventory at the date of the closing of the Transactions, a purchase accounting increase in the fair value of inventory of $14.9 million was recorded as of December 1, 2005, with $4.1 million of that amount charged to cost of sales in December 2005 and $10.8 million charged to cost of sales in the first quarter of 2006.

(2) The Predecessor Company paid $14.6 million on the closing date of the Merger to holders of 1,081,270 vested in-the-money options and holders of 45,437 restricted stock grant awards. Those amounts were recorded as an administrative expense during the period from January 1, 2005 to November 30, 2005. The remaining stock options and grant expense represented non-cash charges to expense.
(3) These prepaid amounts were written off as a result of the Transactions.
(4) Amount represents incremental EBITDA from the recent acquisitions as if they had taken place on January 1, 2006. The financial information from the recent acquisitions is based on unaudited financial statements for each of Port City and Allmet. Included in such incremental EBITDA are estimated cost savings and other synergies specifically identified in connection with the recent acquisitions of $0.4 million for the pre-acquisition period during 2006. These estimated synergies include lower feedstock costs due to leveraged purchasing and operational process improvements, lower selling expenses due to better geographic sales coverage and elimination of redundant sales positions, and improved operating results by the impact of additional value-added processing equipment that Port City recently added to its facility.
(5) This amount represents $5.0 million of charges in the Building Products Group for the elimination of one layer of management and closure of eleven facilities in 2004.
(6) This amount represents severance costs of management personnel that were replaced as part of the Transactions.
(7) Includes accrued expenses related to the management agreement we have with Apollo, pursuant to which Apollo or its affiliates provide us with management services. See Certain Relationships and Related Party Transactions Apollo Management Agreements.
(8) This amount represents the FCCR which is not applicable for the Predecessor Company which operated under a different revolving credit facility, or for the period from May 9, 2005 (date of inception) to December 31, 2005 of the Successor Company because the FCCR is based on a rolling four-quarter period.

Off-Balance Sheet Arrangements

We were not engaged in off-balance sheet arrangements through any unconsolidated, limited-purpose entities and no material guarantees of debt or other commitments to third parties existed at September 30, 2007.

Contractual Obligations

We enter into operating leases for many of our facility, vehicle and equipment needs. These leases allow us to conserve cash by paying a monthly lease rental fee for the use of, rather than purchasing, facilities, vehicles and equipment. At the end of the lease, we have no further obligation to the lessor. We have varying amounts of open purchase orders that are subject to renegotiation/cancellation by either party as to quantity or price. Generally, the amounts outstanding relate to delivery periods of up to 12 weeks from the date of the purchase order.

As of December 31, 2006, our future contractual obligations include the following:

		For the Fiscal Years Ended December 31,					
	Total	2007	2008	2009	2010	2011	Beyond
				(in millions)			
ABL facility(1)	$ 329.0	$	$	$	$	$ 329.0	$
Purchase Orders	209.0	209.0					
11 1/8% Senior Secured Notes Due 2015 (Metals USA notes)	550.4	30.6	30.6	30.6	30.6	30.6	397.4
Senior Floating Rate Toggle Notes Due 2012 (2006 notes)(2)	150.0						150.0
IRB(3)	5.7						5.7
Other obligations	0.9	0.5	0.1	0.1	0.1	0.1	
Operating lease obligations	76.3	17.2	15.1	11.0	9.8	8.7	14.5
Total	$ 1,321.3	$ 257.3	$ 45.8	$ 41.7	$ 40.5	$ 368.4	$ 567.6

(1) The amounts stated do not include interest costs. The ABL facility bears interest based upon a margin over reference rates established within a specific pricing grid. The marginal rates will vary with our financial

performance as measured by the fixed charge coverage ratio. The applicable base rate and the effective LIBOR rate were 8.25% and 5.36%, respectively, at December 31, 2006.

(2) The amounts stated do not include interest costs. The 2006 notes bear cash interest at LIBOR plus a spread of 6.00%, which increases by 0.25% to 6.25% in year 2 and by 0.50% to 6.50% in year 3. In the event PIK Interest is paid on the notes after the first interest period, the then-applicable margin over LIBOR on the 2006 notes would increase by 0.75% for each period in which PIK Interest is paid. The effective LIBOR rate was 5.36% at December 31, 2006.

(3) The amounts stated do not include interest costs. The interest rate assessed on the IRB varies from month to month based on an index of mutual bonds, which was 4.02% on December 31, 2006.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which we refer to in this prospectus as SFAS 157, which enhances existing guidance for measuring assets and liabilities using fair value. SFAS 157 provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. SFAS 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted market prices in active markets. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect any impact to its financial statements upon adoption of SFAS 157.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R), which we refer to in this prospectus as SFAS 158, which requires the recognition of the funded status of benefit plans in the balance sheet. SFAS 158 also requires certain gains and losses that are deferred under current pension accounting rules to be recognized in accumulated other comprehensive income, net of tax effects. These deferred costs (or income) will continue to be recognized as a component of net periodic pension cost, consistent with current recognition rules. For entities with no publicly traded equity securities, the effective date for the recognition of the funded status is for fiscal years ending after June 15, 2007. In addition, the ability to measure the plans benefit obligations, assets and net period cost at a date prior to the fiscal year-end date is eliminated for fiscal years ending after December 15, 2008. The adoption of the recognition element of SFAS 158 did not have a material effect on the Company s financial statements. The adoption of the measurement date element of SFAS 158 is not expected to have a material impact on the Company s financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115, which we refer to in this prospectus as SFAS 159. SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets and liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees, issued debt and other eligible financial instruments. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact, if any, that the adoption of SFAS 159 may have on the Company s financial statements.

Quantitative and Qualitative Disclosures About Market Risk

In the normal course of our business, we are exposed to market risk, primarily from changes in interest rates and the cost of metal we hold in inventory. We continually monitor exposure to market risk and develop appropriate strategies to manage this risk. With respect to our metal purchases, there is no recognized market to purchase derivative financial instruments to reduce the inventory exposure risks. See Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources for a discussion of market risk relative to steel prices.

Table of Contents

Our exposure to market risk for changes in interest rates relates primarily to the ABL facility, the IRB, and the notes. As of September 30, 2007, we had $597.1 million of floating rate debt under the notes, the ABL facility and the IRB. Assuming a hypothetical 1% increase in the interest rate on our floating rate debt, our annual interest expense would increase by $5.9 million. As of the date of this prospectus, we do not have any hedging transactions in place with any of our floating rate debt.

We have $275.0 million of Metals USA notes with a fixed interest rate of 11 1/8%. Changes in market interest rates will not impact cash interest payable on the Metals USA notes. At September 28, 2007, the Metals USA notes were traded at approximately 106.5% of face value.

Table of Contents

BUSINESS

Company Overview

Metals USA Holdings, which was formerly named Flag Holdings Corporation, was incorporated in Delaware on May 9, 2005 in conjunction with the Apollo Transaction. On May 18, 2005, Metals USA Holdings and its indirect wholly owned subsidiary, Flag Acquisition Corp., entered into an agreement and plan of merger with Metals USA. On November 30, 2005, Flag Acquisition merged with and into Metals USA, with Metals USA being the surviving corporation. Metals USA was incorporated in Delaware on July 3, 1996, and began operations upon completion of an initial public offering on July 11, 1997. On November 14, 2001, Metals USA s predecessor company filed for voluntary bankruptcy protection from its creditors under Chapter 11 of the United States Bankruptcy Code. It emerged from bankruptcy as a public company on October 31, 2002.

As one of the largest metal service center businesses in the United States, we are a leading provider of value-added processed carbon steel, stainless steel, aluminum, red metals and manufactured metal components. We are an important intermediary between primary metal producers that produce and sell large volumes of metals in a limited number of sizes and configurations and end-users, such as contractors and OEMs, which often require smaller quantities of more customized products delivered on a just-in-time basis. We earn a margin over the cost of metal based upon value-added processing enhancements, which adds stability to our financial results and significantly reduces our earnings volatility relative to metals producers. In addition to our metal service center activities, we have a building products business that supplies a range of manufactured products to the residential remodeling industry. In May 2006, we completed the 2006 Acquisitions to bolster the market position and organic growth of our service center and building products businesses. On July 2, 2007, we completed the acquisition of Lynch Metals. Lynch Metals is a metals service center business that provides specialized aluminum processing capabilities to the aerospace and industrial equipment industries. The combination of Lynch Metals to the Metals USA footprint strengthens the Company s non-ferrous presence in the Eastern and Western United States. We have an active pipeline of additional acquisition targets. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Impacting Comparability of Results 2006 Acquisitions. As of the date of this prospectus, we serve more than 18,500 customers annually from 75 operating locations throughout the United States and Canada. Our business is primarily divided into three operating groups: Plates and Shapes Group; Flat Rolled and Non-Ferrous Group; and Building Products Group.

Our Plates and Shapes and Flat Rolled and Non-Ferrous Groups perform customized, value-added processing services to unimproved steel and other metals required to meet specifications provided by our customers as well as offering inventory management and just-in-time delivery services. These services enable our customers to reduce material costs, decrease capital required for raw materials inventory and processing equipment and save time, labor, warehouse space and other expenses. The customers of our Plates and Shapes and Flat Rolled and Non-Ferrous Groups are in businesses such as the machining, furniture, transportation equipment, power and process equipment, industrial/commercial construction/fabrication, consumer durables and electrical equipment industries, as well as machinery and equipment manufacturers. Our Building Products Group manufactures high-value finished building products for distributors and contractors engaged in the residential remodeling industry.

Competitive Strengths

Margin Over Metal Creates Financial Stability. Our metal service centers are an important intermediary between large metals producers and smaller end-users, and this allows us to utilize a cost plus business model. Our cost plus business model allows us to earn a margin over the cost of metal for the value-added processing enhancements we add to our products. As a result, over time, we are able to pass along changes in metal prices to our customers. Given that metal costs typically represent approximately 75% of our net sales, our ability to pass through changes in pricing and our cost plus business model significantly reduce the volatility of our earnings and free cash flow relative to metals producers.

Table of Contents

Leading Market Position Provides Platform for Stable Growth. We are one of the leading participants in most of the markets we serve, which gives us an excellent platform to make strategic acquisitions that will further enhance our strong market position. We have 75 operating facilities in total, which are focused by group on specific regions, giving us leading positions in each market in which we participate. The service center and building products industries are both highly fragmented, which we believe will provide us with opportunities to generate meaningful synergies through add-on acquisitions. In late 2005, we established and trained a dedicated acquisitions team that is responsible for identifying, evaluating, executing, integrating and monitoring acquisitions. We completed two acquisitions of companies focusing on higher margin plates and shapes processing and building products in our Plates and Shapes Group and Building Products Group, respectively, in the second quarter of 2006. On July 2, 2007, we completed the acquisition of Lynch Metals, a service center business that provides value-added, specialized aluminum processing capabilities to the aerospace and industrial equipment industries, to expand higher margin non-ferrous sales. We have an active pipeline of additional acquisition opportunities that we continue to explore. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Impacting Comparability of Results 2006 Acquisitions and Risk Factors Risks Related to Our Business We may not successfully implement our acquisition strategy, and acquisitions that we pursue may present unforeseen integration obstacles and costs, increase our leverage and negatively impact our performance.

Diversified Customer Base and End-Markets. Our three groups supply a broad range of products to a large, diversified customer base (over 18,500 customers per year) which serves a variety of end-markets and industries (as set forth in the chart below), including, among others, fabricated metal products, industry machinery and equipment, home improvement and electrical equipment, among others. The automotive sector, where we sell only to primary and secondary parts suppliers, represented less than 4% of our net sales in 2006. No single customer accounted for more than 3% of our net sales in 2006, while our ten largest customers represented less than 11% of our net sales in 2006. We are also diversified on a geographic market basis, with each of our groups focusing on distinct geographic regions, protecting us against regional fluctuations in demand.

Broad product offering with superior customer service. Our broad range of high-quality products and customized value-added services allows us to offer one-stop shopping to our customers, which we believe provides a significant competitive advantage over smaller service centers (which generally stock fewer products than we do). We seek strong relationships with our customers, through regular interaction between our field sales force and our customers, allowing us to better assess their supply chain requirements, offer just-in-time delivery and respond to short lead-time orders. Our ability to provide leading customer service is enhanced by the breadth of our geographic footprint, as a substantial portion of our customers are located within 250 miles of a facility, allowing us to provide critical value-added services with short turnaround times. We believe the quality of our products and timeliness and reliability of our service have resulted in increased customer loyalty and have significantly enhanced our marketing efforts to new customers.

State-of-the-Art Processing Facilities. Our state-of-the-art processing facilities provide a significant advantage over smaller metal service centers that do not have the capital resources to invest in value-added equipment. Over the past several years, we have bolstered our laser and plasma cutting, painting and other value-added capabilities at select locations, further increasing our ability to quickly and efficiently process metals to customer-specified requirements. Our Port City facility further increases our ability to provide high-value-added and technologically advanced plates and shapes processing, while also providing higher margins. We believe our value-added services enable our customers to improve their manufacturing processes while also reducing their total cost of manufacturing.

Strong Relationships with Key Suppliers. We have established strong relationships with large domestic and international metal suppliers. Because we are a significant customer of our major suppliers, we obtain volume discounts and historically have been able to obtain metal materials in periods of tight supply. For instance, our strong relationships and large purchasing volumes enabled us to maintain ample access to metal when supply became constrained during 2004, and again during 2006. Our negotiation of purchase agreements with suppliers is centralized to leverage our buying power and global market insights.

Skilled Inventory Management. We manage our inventory to minimize our investment in working capital while maintaining sufficient stock to respond quickly to customer orders. Our inventory and processing services are tailored to the needs of the market where a particular service center is located and our metal service centers share inventory with each other, thereby improving inventory management and customer service. All of our groups utilize management information systems and computer-aided manufacturing technology to track and allocate inventory on a real-time basis. These advanced information systems combined with our strong regional footprint allow our metal service centers to lower their overall inventories without limiting our ability to meet our customers needs through the sharing of inventory. We believe that our decentralized inventory management processes, monitored by senior leadership with their global market insights, and our capital structure flexibility have allowed us to react more quickly than most of our competitors to changing metals prices and customer needs, thereby optimizing our use of working capital. Also, due to the countercyclical nature of cash flows in our business, by proactively managing inventory we have been able to generate significant earnings during rising metal price environments and generate significant free cash flow in declining metal price environments.

Experienced and Proven Management Team. We have a seasoned senior management team which, on average, has over 20 years of experience in the metals industry and has a deep understanding of the dynamics between the various levels of the supply chain. Our President, Chief Executive Officer and Chairman, C. Lourenço Gonçalves, has over 25 years of experience in the metals industry, including as Chief Executive Officer of CSI (the largest U.S. steel slab re-roller), which had many of the same value chain dynamics as a service center. Under his leadership, we have implemented a number of operational improvements that have significantly improved our performance. We have also continued to attract, add and promote quality management talent. Roger Krohn became president of the Flat Rolled and Non-Ferrous Group in November 2003. Additionally, in December 2005, Robert McPherson became our Chief Financial Officer and Joe Longo and David Martens assumed their responsibilities as the presidents of the Plates and Shapes Group East and of Plates and Shapes Group West, respectively. See Management.

Table of Contents

Strategy

Increase Our Market Share of Higher Margin Products. We will maintain our focus on selling higher margin products such as non-ferrous metals, as well as products that require significant value-added processing or that are highly customized. This focus will enable us to further leverage our state-of-the-art processing facilities and provide higher margin value-added processing functions such as precision blanking, laser and plasma cutting and painting. We believe this will also enable us to fulfill a greater proportion of our customers processing requirements and lead to an increased stability in the demand for our products and services. Our recent acquisitions, completed in May 2006 and July 2007, further this goal.

Expand Value-Added Services Provided to Customers. We are focused on expanding the range of our value-added services that we offer to enhance our relationships with existing customers and to build new customer relationships. We believe customers recognize the benefit from our ability to provide value-added services, including our new supply chain solutions, and that there are significant opportunities to expand the range of such services in areas such as processing equipment, inventory management and logistics systems. We believe that our size, organizational structure and operating expertise enable us to better provide these value-added services and further differentiate ourselves from smaller metal service centers.

Execute Strategic Acquisitions to Improve Market Position. We will continue to look for value-added businesses that we can acquire at reasonable prices. To drive this effort in late 2005, we combined experienced metals industry veterans and deal professionals to form a dedicated acquisitions team. The team identified and closed two acquisitions in 2006 which have bolstered our position in the Plates and Shapes market in the south-central United States and the Building Products market in the northeastern United States. We believe that we were able to acquire these two businesses at reasonable prices. Both of these businesses have already generated meaningful strategic and financial synergies. In addition, we recently closed the acquisition of Lynch Metals in July 2007 that will increase our non-ferrous presence in the Eastern and Western United States, and which we believe will also generate significant strategic and financial synergies. Our acquisitions team is currently evaluating several additional transactions which we believe complement the higher margin and fastest growing portions of our business. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Impacting Comparability of Results 2006 Acquisitions and Risk factors Risks Related to Our Business We may not successfully implement our acquisition strategy, and acquisitions that we pursue may present unforeseen integration obstacles and costs, increase our leverage and negatively impact our performance.

Capitalize on Changing Market Dynamics and Increasing Demands. As one of the largest metal service centers in the U.S., we intend to use our significant resources to leverage the opportunities presented by the consolidation of steel producers and the fragmentation of our customer base. Steel producers continue to seek long-term relationships with metal service centers that have access to numerous customers, while customers are seeking relationships with metal service centers that can provide a reliable source of high-quality products combined with value-added services. In light of current economic conditions, we believe that demand for products manufactured by our customers will be robust. This increase in end-market demand will drive increased sales of our products and, when combined with the initiatives we have proactively taken to increase the value-added nature of our product mix, is expected to further enhance our profitability and free cash flow.

Maintain Strong Focus on Inventory Management. We will continue managing our inventory to maximize our profitability and cash flow while maintaining sufficient inventory to respond quickly to customer orders. In addition, we intend to further integrate our salespeople and operating employees into the operations of our customers to enhance our visibility into in-process orders and allow us to further improve our just-in-time delivery and customer service.

Continue to Focus on Improving the Performance of Our Building Products Group. In August 2004, our Building Products Group undertook a restructuring to focus the Building Products Group on the steadily growing residential remodeling market. As part of the restructuring, we closed 11 underperforming sales locations, expanded our production capabilities and reduced the operating cost structure of the group. During 2006, we conducted comprehensive reviews of the Building Products Group business operations in an effort to further identify ways in which the group could operate more profitably and cost effectively. In connection with these reviews, we implemented a number of changes during late 2006 and early 2007, including a change in management and management structure, streamlining manufacturing facilities and processes, improving service center operations, closing underperforming locations (three in late 2006), increasing our sales efforts through new lead generation programs, targeting new, larger and more profitable customers and increasing on-the-ground sales personnel.

Segment Information

Each of our product groups is led by an experienced executive and is supported by a professional staff in finance, purchasing and sales and marketing. This product-oriented organizational structure facilitates the efficient advancement of our goals and objectives to achieve operational synergies and focused capital investment. For additional industry segment information, see Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations by Segment and Note 12 to our consolidated financial statements included elsewhere in this prospectus.

Metals Processing/Service Center Businesses: Plates and Shapes and Flat Rolled and Non-Ferrous Groups

Overview. Companies operating in the metals industry can generally be characterized as primary metals producers, metals processors/service centers or end-users. Our Plates and Shapes and Flat Rolled and Non-Ferrous Groups are metals processors/service centers. As such, we purchase carbon steel, stainless steel, aluminum, brass, copper and other metals from producing mills and then sell our metal processing services and the metal to our customers, who are generally end-users. We believe that both primary metals producers and end-users are increasingly seeking to have their metals processing and inventory management requirement met by value-added metals processors/service centers like us.

Metals service centers function as key intermediaries between the primary metals producers that produce and sell larger volumes of metals in a limited number of sizes and configurations and end-users, such as contractors and OEMs, that require smaller quantities of more customized products delivered on a just-in-time basis. End-users incorporate processed metals into finished products, in some cases with little further modification.

In our Plates and Shapes and Flat Rolled and Non-Ferrous Groups, we engage in pre-production processing of carbon steel, stainless steel, red metals and aluminum. We purchase metals from primary producers, maintain an inventory of various metals to allow rapid fulfillment of customer orders and perform customized processing services to the specifications provided by end-users and other customers. By providing these services, as well as offering inventory management and just-in-time delivery services, we enable our customers to reduce overall production costs and decrease capital required for raw materials inventory and metals processing equipment. The Plates and Shapes and Flat Rolled and Non-Ferrous Groups contributed approximately 89% of our 2006 net sales and the substantial majority of our 2006 operating income.

Plates and Shapes Group. We believe we are one of the largest distributors of metal plates and shapes in the United States. We sell products such as wide-flange beams, plate, tubing, angles, bars and other structural shapes in a number of alloy grades and sizes. A substantial number of our products undergo additional processing prior to being delivered to our customers, such as blasting and painting, tee-splitting, cambering/leveling, cutting, sawing, punching, drilling, beveling, surface grinding, bending, shearing and cutting-to-length. We sell the majority of our products to a diversified customer base, including a large number of small customers who purchase products in small order sizes and require just-in-time delivery. The customers of our Plates and Shapes Group are primarily in the fabrication, construction, machinery and equipment, transportation and energy industries. We serve our customers, who generally operate in a limited geographic region, from 21 metals service centers located primarily in the southern and eastern half of the United States. Each metals service center is located in close proximity to our metal suppliers and our customers. In May 2006, we completed the acquisition of all of the assets and operations of Port City, a high value-added plates facility located in Tulsa, Oklahoma, that bolsters our presence in the construction and oil-field services sector. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Impacting Comparability of Results 2006 Acquisitions.

Flat Rolled and Non-Ferrous Group. The Flat Rolled and Non-Ferrous Group sells a number of products, including carbon and stainless steel, aluminum, brass and copper in a number of alloy grades and sizes. Substantially all of the materials, carbon as well as the non-ferrous materials sold by our Flat Rolled and Non-Ferrous Group, undergo value-added processing prior to delivery to the customer. We provide a broad range of value-added processing services including precision blanking, slitting, shearing, cutting-to-length, punching, bending and leveling. Our customers are in the electrical manufacturing, fabrication, furniture, appliance manufacturing, machinery and equipment and transportation industries and include many larger customers who value the high quality products that we provide together with our customer service and reliability. A number of our large customers purchase through pricing arrangements or contractual agreements. We serve our customers from 13 metals service centers in the midwestern and southern regions of the United States. Each metals service center is located in close proximity to our metal suppliers and our customers. On July 2, 2007, we completed the acquisition of Lynch Metals, a service center business that provides value-added, specialized aluminum processing capabilities to the aerospace and industrial equipment industries.

Industry Overview. The metals service center industry is highly fragmented, with as many as 5,000 participants throughout North America, generating in excess of $126.5 billion in net sales in 2006. The industry includes both general line distributors that handle a wide range of metal products and specialty distributors that specialize in particular categories of metal products. We are a general line distributor. Metals service centers accounted for approximately one-quarter or more of U.S. steel shipments in 2006 based on volume, a market share which has been relatively constant for the last 15 years.

We believe that both primary metals producers and end-users are increasingly seeking to have their metals processing and inventory management requirements met by value-added metals service centers. During the past two decades, primary metals producers have been focusing on their core competency of high-volume production of a limited number of standardized metal products. As primary metals producers have consolidated, they increasingly have required metal service centers and processors to perform value-added services for end-customers. As a result, most end-users cannot obtain processed products directly from primary metals producers and therefore over 300,000 OEMs, contractors and fabricators nationwide rely on metal service centers. End-users have also recognized the economic advantages associated with outsourcing their customized metals processing and inventory management requirements. Outsourcing permits end-users to reduce total production costs by shifting the responsibility of pre-production processing to metal service centers, whose higher efficiencies in performing these processing services make the ownership and operation of the necessary equipment more financially feasible.

Value-added metal service centers, including ourselves, have also benefited from growing customer demand for inventory management and just-in-time delivery services. These supply-chain services, which are normally not provided by primary metals producers, enable end-users to reduce input costs, decrease capital required for inventory and equipment and save time, labor and other expenses. Some value-added metal service centers, including us, have installed electronic data interchange between their computer systems and those of their customers to facilitate order entry, inventory management, just-in-time delivery and billing.

In addition, manufacturers appear to be reducing their operating costs by limiting the number of suppliers with which they do business, often eliminating suppliers offering limited ranges of products and services. Customers increasingly seek larger suppliers capable of providing sophisticated processing services, such as marine coatings and precision laser cutting.

Table of Contents

Products and Services. We purchase our raw materials in anticipation of projected customer requirements based on interaction with and feedback from customers, market conditions, historical usage and industry research. Primary producers typically find it more cost effective to focus on large volume production and sale of metals in standard sizes and configurations to large volume purchasers. We process the metals to the precise length, width, shape and surface quality specified by our customers. Our value-added processes include:

- Precision blanking the process in which metal is cut into precise two-dimensional shapes.
- Flame cutting the cutting of metals to produce various shapes according to customer-supplied drawings.
- Laser and plasma cutting the cutting of metals to produce shapes under strict tolerance requirements.
- Slitting the cutting of coiled metals to specified widths along the length of the coil.
- Blasting and painting the process of cleaning steel plate by shot-blasting, then immediately applying a paint or primer.
- Plate forming and rolling the forming and bending of plates to cylindrical or required specifications.
- Shearing and cutting to length the cutting of metals into pieces and along the width of a coil to create sheets or plates.
- Tee-splitting the cutting of metal beams along the length to form separate pieces.
- Cambering the bending of structural shapes to improve load-bearing capabilities.
- Sawing the cutting to length of bars, tubular goods and beams.
- Leveling the flattening of metals to uniform tolerances for proper machining.
- Edge trimming a process that removes a specified portion of the outside edges of coiled metal to produce uniform width and round or smooth edges.
- Metallurgy the analysis and testing of the physical and chemical composition of metals.

Our additional capabilities include applications engineering and other value-added processes such as custom machining. Using these capabilities, we use processed metals to manufacture higher-value components.

Once we receive an order, we select the appropriate inventory and schedule it for processing in accordance with the customer s requirements and specified delivery date. Orders are monitored by our computer systems, including, in certain locations, the use of bar coding to aid in and reduce the cost of tracking material. We record the source of all metal shipped to customers. This enables us to identify the source of any metal which may later be shown to not meet industry standards or that fails during or after manufacture. This capability is important to our customers as it allows them to assign responsibility for non-conforming or defective metal to the mill that produced the metal. Many of the products and services we provide can be ordered and tracked through a web-based electronic network that directly connects our computer system to those of our customers.

We cooperate with our customers and tailor our deliveries to support their needs, which in many instances consist of short lead-times and just-in-time delivery requirements. This is accomplished through our inventory management programs, which permit us to deliver processed metals from a sufficient inventory of raw materials to meet the requirements of our customers, which in many instances results in orders filled within 24 to 48 hours.

While we ship products throughout the U.S., most of our customers are located within a 250-mile radius of our facilities, thus enabling an efficient delivery system capable of handling a large number of short lead-time orders. We transport most of our products directly to our customers either with our own trucks for short-distance and/or multi-stop deliveries or through common or contract trucking companies.

We have quality control systems to ensure product quality and traceability throughout processing. Quality controls include periodic supplier audits, customer-approved quality standards, inspection criteria and metals source traceability. A number of our facilities have International Standards Organization, or ISO, 9002 certification.

Table of Contents

Building Products Group

Overview. The Building Products Group provides diversification to our metal service center business as both its operations and the end-markets that it serves are significantly different from those of our metal service center business. The Building Products Group manufactures and sells sunrooms, roofing products, awnings and solariums for use in residential applications and large area covered canopies, awnings and covered walkways for use in commercial applications. Substantially all of our Building Products Group sales are attributable to the residential remodeling market with the remaining sales attributable to commercial applications. Because our building products business is primarily focused on the residential remodeling market, demand is not directly correlated to housing starts or interest rates, nor are prices generally subject to fluctuations in the demand for or price of metal. Most customers of our Building Products Group are in the home improvement, construction, wholesale trade and building material industries. We generally sell our products through a network of independent distributors and home improvement contractors. We believe we are one of only a few suppliers with national scale across our market segments. We operate through 18 manufacturing locations and 23 sales and distribution facilities throughout the southern and western regions of the United States and Canada. The Building Products Group contributed approximately 11% of our 2006 net sales. In May 2006, we completed the acquisition of all of the assets and operations of Allmet, a metal roofing manufacturer and distributor with a manufacturing facility located near Toronto, Ontario, Canada that we believe solidifies our position as one of the largest stone-coated metal roofing manufacturers in North America. See Management s Discussion and Analysis of Financial Condition and Results of Operations Matters Impacting Comparability of Results 2006 Acquisitions.

Industry Overview. The residential remodeling industry has experienced significant growth over the last ten years and, we believe, is poised for continued growth in the future. The Joint Center for Housing Studies of Harvard University estimates that homeowners and rental property owners spend approximately $300 billion annually on remodeling their homes, which accounted for approximately 40% of all residential construction and improvement spending in 2005, with projected growth to 47% by 2015. Over the last decade, the industry has experienced stable growth due to a number of different macroeconomic and demographic factors (many of which we expect to continue) including favorable borrowing costs, rising disposable incomes, increased rates of home ownership and aging American houses. Existing-home sales impact the remodeling market as owners improve their homes in preparation for sale, and new-home buyers often undertake significant renovations and remodeling projects within the first few months of ownership. The increase in disposable incomes has been a factor in the rise in homeownership to approximately 68% in 2006 from 55% in 1950. The aging of the domestic home supply is also expected to bolster remodeling sales as the average home in the U.S. is now over 30 years old. As Americans continue to improve and upgrade their homes, we believe an increasing number will turn to remodeling as a cost-effective alternative to new housing construction. The most popular remodeling projects include backyard living items, such as pool enclosures, lattices and patio covers, as well as sunrooms and roofing, all of which we manufacture and distribute.

According to the Joint Center for Housing Studies of Harvard University, between the rise in interest rates and the slowdown in house price appreciation, sales of existing homes softened in 2006 and the first nine months of 2007. Existing home sales are an important driver of remodeling activity, with sellers of older properties typically making improvements before putting their homes on the market and recent buyers typically making changes to customize their new homes to their tastes.

While signs of a construction cutback have been appearing since early 2006, direct evidence of a remodeling slowdown is only now emerging. Retail sales at building and supply dealers have weakened after adjusting for inflation in product price. These businesses sell home products and supplies to do-it-yourself and buy-it-yourself homeowners, as well as directly to professional general contractors and the trades.

The timing of the downturn in remodeling indicators is consistent with past cycles. Key measures of improvement activity typically lag those of new construction by about six months and are less volatile. The Joint Center for Housing Studies projects a nearly 45 percent increase in homeowner spending between 2005 and

Table of Contents

2015. As a result, spending on maintenance and improvements to both owner-occupied and rental stock is likely to make up a larger share of overall residential investment. In fact, with growth moderating on the construction side, the remodeling share of total spending in the residential sector is expected to reach a new high of 47 percent by 2015.

Sources of Supply

In recent years, steel, aluminum, copper and other metals production in the U.S. has fluctuated from period to period as mills attempt to match production to projected demand. Periodically, this has resulted in shortages of, or increased ordering lead-times for, some products, as well as fluctuations in price. Typically, metals producers announce price changes with sufficient advance notice to allow us to order additional products prior to the effective date of a price increase, or to defer purchases until a price decrease becomes effective. Our purchasing decisions are based on our forecast of the availability of metal products, ordering lead-times and pricing, as well as our prediction of customer demand for specific products.

We obtain the overwhelming majority of our metals from domestic suppliers, which include Nucor Corp., AK Steel, Gerdau Ameristeel, Mittal Steel USA, Alcoa Inc., Chaparral Steel (recently acquired by Gerdau Ameristeel), Arcelor-Mittal, Aleris, International Inc., Steel Dynamics Inc. and IPSCO Steel. Although we have historically purchased approximately 10% to 15% of our raw material supplies from foreign producers, domestic suppliers have always been, and we believe will continue to be, our principal source of raw material.

Although most forms of steel and aluminum produced by mills can be obtained from a number of integrated mills or mini-mills, both domestically and internationally, there are a few products that are available from only a limited number of producers. Since most metals are shipped free-on-board and the transportation of metals is a significant cost factor, we generally seek to purchase metals, to the extent possible, from the nearest mill.

Ferrous metals producers have been undergoing rapid consolidation over the past four years. U.S. Steel, Nucor Corp. and Mittal Steel USA have acquired several of their domestic competitors, and international integrated producers have merged and consolidated operations. The result of this trend will be fewer integrated producers from which we can purchase our raw materials. We believe that global consolidation of the metals industry is beneficial to the metals industry as a whole by creating a more disciplined approach to production and pricing.

Sales and Marketing; Customers

We employ a sales force consisting of inside and outside salespeople. Inside salespeople are primarily responsible for maintaining customer relationships, receiving and soliciting individual orders and responding to service and other inquiries by customers. Our outside sales force is primarily responsible for identifying potential customers and calling on them to explain our services. The sales force is trained and knowledgeable about the characteristics and applications of various metals, as well as the manufacturing methods employed by our customers.

Our sales and marketing focus is on the identification of OEMs and other metals end-users that could achieve significant cost savings through the use of our inventory management, value-added processing, just-in-time delivery and other services. We use a variety of methods to identify potential customers, including the use of databases, direct mail and participation in manufacturers trade shows. Customer referrals and the knowledge of our sales force about regional end-users also result in the identification of potential customers. Once a potential customer is identified, our outside salespeople assume responsibility for visiting the appropriate contact, typically the purchasing manager or manager of operations.

Nearly all sales are on a negotiated price basis. In some cases, sales are the result of a competitive bid process where a customer provides a list of products, along with requirements, to us and several competitors and we submit a bid on each product. We have a diverse customer base, with no single customer accounting for more than 3% of our net sales in each of the last three years. Less than 4% of our sales are to the automotive industry and we do not sell directly to the Big Three automobile manufacturers. Our ten largest customers represented less than 11% of our net sales in 2006.

Table of Contents

Competition

We are engaged in a highly fragmented and competitive industry. Competition is based on reliability, service, quality, timeliness, geographic proximity and price. We compete with a large number of other metals processors/service centers on a national, regional and local basis, some of which may have greater financial resources. We also compete to a much lesser extent with primary metals producers, who typically sell directly to very large customers requiring regular shipments of large volumes of metals. Numerous smaller metals processors/service centers compete with us locally.

Historically, we believe that we have been able to compete effectively because of our high levels of service, broad-based inventory, knowledgeable and trained sales force, integrated computer systems, modern equipment, number of locations, geographic dispersion, operational economies of scale and combined purchasing volume. Furthermore, we believe our liquidity and overall financial position affords us a good platform with which to compete with our peers in the industry.

Government Regulation and Environmental Matters

Our operations are subject to a number of federal, state and local regulations relating to the protection of the environment and to workplace health and safety. In particular, our operations are subject to extensive federal, state and local laws and regulations governing waste disposal, air and water emissions, the handling of hazardous substances, environmental protection, remediation, workplace exposure and other matters. Hazardous materials we use in our operations include general commercial lubricants and cleaning solvents. Among the more significant regulated activities that occur at some of our facilities are: the accumulation of scrap metal, which is sold for recycling; the generation of plant trash and other solid wastes and wastewaters, such as water from burning tables operated at some of our facilities, which wastes are disposed of in accordance with the Federal Water Pollution Control Act and the Resource Conservation and Recovery Act using third-party commercial waste handlers; and the storage, handling, and use of lubricating and cutting oils and small quantities of maintenance-related products and chemicals, the health hazards of which are communicated to employees pursuant to Occupational Safety and Health Act-prescribed hazard communication efforts and the disposal or recycling of which are performed pursuant to the Resource Conservation and Recovery Act.

Generally speaking, our facilities operations do not involve the types of emissions of air pollutants, discharges of pollutants to land or surface water, or treatment, storage, or disposal of hazardous waste which would ordinarily require federal or state environmental permits. Some of our facilities possess authorizations for air emissions from paints and coatings, hazardous materials permits under local fire codes or ordinances for the storage and use of small quantities of combustible materials such as oils or paints, and state or local permits for on-site septic systems. Our cost of obtaining and complying with such permits has not been and is not anticipated to be material. Our operations are such that environmental regulations typically have not required us to make significant capital expenditures for environmental compliance activities.

We believe that we are in substantial compliance with all applicable environmental and workplace health and safety laws and do not currently anticipate that we will be required to expend any substantial amounts in the foreseeable future in order to meet such requirements. However, some of the properties we own or lease are located in areas with a history of heavy industrial use, and are near sites listed on the CERCLA National Priority List. CERCLA establishes joint and several responsibility for clean-up without regard to fault for persons who have arranged for disposal of hazardous substances at sites that have become contaminated and for persons who own or operate contaminated facilities. We have a number of properties located in or near industrial or light industrial use areas; accordingly, these properties may have been contaminated by pollutants which would have migrated from neighboring facilities or have been deposited by prior occupants. Some of our properties are affected by contamination from leaks and drips of cutting oils and similar materials and we are investigating and remediating such known contamination pursuant to applicable environmental laws. The costs of such clean-ups have not been material. We are not currently subject to any claims or notices with respect to clean-up or remediation under CERCLA or similar laws for contamination at our leased or owned properties or at any off-site

Table of Contents

location. However, we cannot rule out the possibility that we could be notified of such claims in the future. It is also possible that we could be identified by the Environmental Protection Agency, a state agency or one or more third parties as a potentially responsible party under CERCLA or under analogous state laws.

Management Information Systems

Both the Plates and Shapes Group and Flat Rolled and Non-Ferrous Group service centers use a system marketed and distributed specifically for the service center industry. During 2003, we completed a similar common-platform initiative in the Building Products Group. Some of our subsidiaries currently use electronic data interchange, through which they offer customers a paperless process with respect to order entry, shipment tracking, billing, remittance processing and other routine activities. Additionally, several of our subsidiaries also use computer-aided drafting systems to directly interface with computer-controlled metals processing equipment, resulting in more efficient use of material and time.

We believe investment in uniform management information systems and computer-aided manufacturing technology permits us to respond quickly and proactively to our customers needs and service expectations. These systems are able to share data regarding inventory status, order backlog, and other critical operational information on a real-time basis.

Employees

As of September 30, 2007, we employed approximately 2,700 persons. As of September 30, 2007, approximately 265, or 10% of our employees, at various sites were members of unions: the United Steelworkers of America; the Sheet Metals Workers Union; the International Association of Bridge, Structural, and Ornamental Ironworkers of America; the International Brotherhood of Teamsters; and the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers. Our relationship with these unions generally has been satisfactory. Within the last five years, a single work stoppage occurred at one facility, which involved approximately 30 employees and lasted approximately 30 days. We are currently a party to eight collective bargaining agreements which expire at various times, including five of which will expire in 2010 (which cover approximately 6% of our employees). Collective bargaining agreements for all of our union employees expire in each of the next three years. Historically, we have succeeded in negotiating new collective bargaining agreements without a strike and we expect to succeed in negotiating new collective bargaining agreements with respect to the agreements that expire in 2007.

From time to time, there are shortages of qualified operators of metals processing equipment. In addition, during periods of low unemployment, turnover among less-skilled workers can be relatively high. We believe that our relations with our employees are satisfactory.

See Risk factors Risks Related to Our Business A failure to retain our key employees could adversely affect our business and Risk Factors Risks Related to Our Business Adverse developments in our relationship with our unionized employees could adversely affect our business.

Vehicles

We operate a fleet of owned or leased trucks and trailers, as well as forklifts and support vehicles. We believe these vehicles are generally well maintained and adequate for our current operations.

Risk Management and Insurance

The primary risks in our operations are bodily injury, property damage and vehicle liability. We maintain general and vehicle liability insurance and liability insurance for bodily injury and property damage and workers compensation coverage, which we consider sufficient to protect us against a catastrophic loss due to claims associated with these risks.

Table of Contents

Safety

Our goal is to provide an accident-free workplace. We are committed to continuing and improving upon each facility s focus and emphasis on safety in the workplace. We currently have a number of safety programs in place, which include regular weekly or monthly field safety meetings and training sessions to teach proper safe work procedures. We have developed a comprehensive best practices safety program which has been implemented throughout our operations to ensure that all employees comply with our safety standards, as well as those established by our insurance carriers, and federal, state and local laws and regulations. This program is led by the corporate office, with the assistance of each of our product group presidents, executive officers and industry consultants with expertise in workplace safety. We have experienced improvements in our safety record in each of the past three years. Furthermore, our annual bonus plan for our Chief Executive Officer, officers and managers are tied directly in part to our safety record.

Financial Information About Segments

For information regarding revenues from external customers, measures of profit or loss and total assets for the last three years for each segment, see Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations by Segment and Note 12 to our consolidated financial statements.

Patents, Trademarks and Other Intellectual Property Rights

We own several U.S. patents, trademarks, service marks and copyrights. Certain of the trademarks and patents are registered with the U.S. Patent and Trademark Office, and, in some cases, with trademark offices of foreign countries. We consider other information owned by us to be trade secrets. We protect our trade secrets by, among other things, entering into confidentiality agreements with our employees and implementing security measures to restrict access to such information. We believe that our safeguards provide adequate protection to our proprietary rights. While we consider all of our intellectual property to be important, we do not consider any single intellectual property right to be essential to our operations as a whole.

Seasonal Aspects, Renegotiation and Backlog

There is a slight decrease in our business during the winter months because of inclement weather conditions and the impact on the construction industry. No material portion of our business is subject to renegotiation of profits or termination of contracts at the election of the government. Because of the just-in-time delivery policy and the short lead-time nature of our business, we do not believe the information on backlog of orders is material to an understanding of our business.

Foreign Operations

We do not derive any material revenue from foreign countries and do not have any material long-term assets or customer relationships outside of the U.S. We have no material foreign operations or subsidiaries.

Research and Development

We do not incur material expenses in research and development activities but do participate in various research and development programs. We address research and development requirements and product enhancement by maintaining a staff of technical support, quality assurance and engineering personnel.

Legal Proceedings

We are involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. We believe the resolution of these matters and the incurrence of their related costs and expenses should not have a material adverse effect on our consolidated financial position, results of operations or liquidity. While it is not feasible to predict the outcome of all pending suits and claims, the ultimate resolution of these matters as well as future lawsuits could have a material adverse effect on our business, financial condition, results of operations or reputation. See Risk factors Risks Related to Our Business We are subject to litigation that could strain our resources and distract management.

Manufacturing and Facilities

Properties

As of September 30, 2007, we operated 21 metals service centers in the Plates and Shapes Group and 13 facilities in the Flat Rolled and Non-Ferrous Group. These facilities use various metals processing and materials handling machinery and equipment. As of the same date, our Building Products Group operated 18 manufacturing locations where we process metals into various building products and 23 sales and distribution centers. During 2004, nine Building Products locations were closed and two locations were merged. During 2005, the operations of two Building Products locations were merged into other operating locations, and one Building Product location converted from processing metal to a sales and distribution center. During 2006, we acquired one location in the Plates and Shapes Group and added four locations in the Building Products Group, two of which were as a result of an acquisition and one of which was subsequently closed. Subsequent to December 31, 2006, we closed two locations our Greenville, Kentucky facility within the Plates and Shapes Group, and our Chattanooga, Tennessee facility within the Flat Rolled and Non-Ferrous Group. During the third quarter of 2007, we acquired two locations in the Flat Rolled and Non-Ferrous Group through our acquisition of Lynch Metals, and we closed two Building Products locations (one sales and distribution center located in Fort Myers, Florida and one sales and distribution center located in Jackson, Mississippi). We continue to serve the marketing areas of the closed facilities with our existing sales force by expanding the responsible territories of our other facilities, and through the use of common carrier for product delivery.

Many of our facilities are capable of being used at higher capacities, if necessary. We believe that our facilities will be adequate for the expected needs of our existing businesses over the next several years. Our facilities, sales and distribution centers and administrative offices are located and described as follows as of September 30, 2007:

	Location	Square Footage	Owned/Leased
Plates and Shapes Group:			
Northeast Plates and Shapes	Baltimore, Maryland	65,000	Leased
	Seekonk, Massachusetts	115,000	Owned
	Newark, New Jersey	81,000	Owned
	Langhorne, Pennsylvania	235,000	Leased
	Philadelphia, Pennsylvania	85,000	Owned
	York, Pennsylvania	109,000	Owned
South Central Plates and Shapes	Enid, Oklahoma	112,000	Leased
	Tulsa, Oklahoma	533,000	Leased
	Muskogee, Oklahoma(1)	229,000	Owned
	Cedar Hill, Texas	104,000	Owned
Mid Atlantic Plates and Shapes	Ambridge, Pennsylvania	200,000	Leased
	Canton, Ohio	110,000	Owned
	Greensboro, North Carolina	180,000	Owned
	Leetsdale, Pennsylvania	114,000	Leased
	Wilmington, North Carolina	178,000	Leased

Table of Contents

	Location	Square Footage	Owned/Leased
Plates and Shapes Group: (continued)			
Southeast Plates and Shapes	Mobile, Alabama	246,000	Owned
	Jacksonville, Florida	60,000	Owned
	Oakwood, Georgia	206,000	Owned
	Waggaman, Louisiana	295,000	Owned
	Columbus, Mississippi	45,000	Owned
Southwest Plates and Shapes	Hayward, California	64,000	Leased
Flat Rolled and Non-Ferrous Group:			
	Madison, Illinois	100,000	Owned
	Jeffersonville, Indiana	90,000	Owned
	Randleman, North Carolina	150,000	Owned
	Springfield, Ohio	110,000	Owned
	Wooster, Ohio	140,000	Owned
	Germantown, Wisconsin	102,000	Owned
	Horicon, Wisconsin	120,000	Leased
	Wichita, Kansas	43,000	Leased
	Liberty, Missouri	117,000	Leased
	Northbrook, Illinois	187,000	Owned
	Walker, Michigan	50,000	Owned
	Union, New Jersey	39,000	Leased
	Anaheim, California	22,000	Leased
Building Products Group:			
Service Centers	Phoenix, Arizona	111,000	Leased
	Brea, California	44,000	Leased
	Buena Park, California	168,000	Leased
	Corona, California	38,000	Leased
	Ontario, California	29,000	Leased
	Rancho Cordova, California	41,000	Leased
	Groveland, Florida	247,000	Leased
	Leesburg, Florida	61,000	Leased
	Pensacola, Florida	48,000	Leased
	Las Vegas, Nevada	133,000	Leased
	Irmo, South Carolina	38,000	Leased
	Nashville, Tennessee	44,000	Leased
	Houston, Texas	142,000	Owned
	Houston, Texas	155,000	Leased
	Mesquite, Texas	200,000	Leased
	Mesquite, Texas	55,000	Leased
	Kent, Washington	57,000	Leased
	Courtland, Ontario	32,000	Owned
Sales and Distribution Centers	Birmingham, Alabama	12,000	Leased
	Tucson, Arizona	9,000	Leased
	Hayward, California	25,000	Leased
	San Diego, California	9,000	Leased
	Clearwater, Florida	20,000	Leased
	Holly Hill, Florida	10,000	Leased
	Jacksonville, Florida	17,000	Leased

Table of Contents

	Location	Square Footage	Owned/Leased
	Lakeland, Florida	24,000	Leased
Building Products Group: (continued)			
	West Palm Beach, Florida	5,000	Leased
	West Melbourne, Florida	18,000	Leased
	Stone Mountain, Georgia	14,000	Leased
	Louisville, Kentucky	22,000	Leased
	Kansas City, Missouri	16,000	Leased
	Overland, Missouri	14,000	Leased
	Greensboro, North Carolina	15,000	Leased
	Oklahoma City, Oklahoma	40,000	Leased
	Harrisburg, Pennsylvania	12,000	Leased
	Memphis, Tennessee	20,000	Leased
	Dallas, Texas	26,000	Leased
	Longview, Texas	15,000	Leased
	San Antonio, Texas	20,000	Leased
	Weslaco, Texas	21,000	Leased
	Salt Lake City, Utah	23,000	Leased
Administrative Locations:			
Corporate Headquarters	Houston, Texas	13,000	Leased
Building Product Group	Houston, Texas	13,000	Leased
i-Solutions	Ft. Washington, Pennsylvania	4,000	Leased

(1) This facility is subject to liens with respect to specific debt obligations, including IRBs.

Table of Contents

DESCRIPTION OF THE APOLLO TRANSACTION

On November 30, 2005, Flag Acquisition Corporation, a Delaware corporation, which in turn was a wholly-owned subsidiary of Metals USA Holdings, merged with and into Metals USA, with Metals USA as the surviving company. Metals USA is wholly-owned by Flag Intermediate, which is our wholly-owned subsidiary. Metals USA Holdings was formed by Apollo Management solely for the purpose of consummating the Merger, and it has no assets, obligations, employees or operations other than those resulting from the Merger, the 2006 notes and the offering of the old notes. All of our operations are conducted by Metals USA.

In connection with the Merger, (a) Metals USA entered into the ABL facility and (b) Flag Acquisition Corporation completed a private placement of $275.0 million principal amount of the Metals USA notes and Metals USA, pursuant to the Merger, assumed all liabilities of Flag Acquisition pursuant to those notes. See Description of certain indebtedness 11 1/8% Senior Secured Notes of Metals USA. In September 2006, Metals USA exchanged $275.0 million aggregate principal amount of 11 1/8% senior secured notes due 2015 that were registered under the Securities Act for an equal principal amount of notes issued in connection with the Merger.

In addition, at the effective time of the Merger, Apollo and certain members of management of Metals USA contributed $140.0 million to Metals USA Holdings Corp. in exchange for common stock of Metals USA Holdings. The proceeds from the issuance of the Metals USA notes, borrowing under the ABL facility, and the equity investment by Apollo and our management members were used to pay the merger consideration to the previous equity holders of Metals USA, to pay down certain existing debt of Metals USA, and to pay transaction expenses related to the Merger, including $6.0 million of transaction fees paid to Apollo.

MANAGEMENT

Our executive officers and directors as of the date of this prospectus are as follows. Each is a citizen of the U.S. unless otherwise indicated.

Name	Age	Position
Executive Officers:		
C. Lourenço Gonçalves	49	President, Chief Executive Officer and Chairman
Robert C. McPherson, III	44	Senior Vice President and Chief Financial Officer
John A. Hageman	53	Senior Vice President, Chief Legal Officer, Chief Administrative Officer and Secretary
Keith Koci	43	Senior Vice President Business Development
Roger Krohn	54	President of the Flat Rolled and Non-Ferrous Group
David Martens	55	President of the Plates and Shapes Group West
Joe Longo	60	President of the Plates and Shapes Group East
Directors:		
C. Lourenço Gonçalves	49	Director, Chairman of the Board of Directors
Joshua J. Harris	42	Director
Marc E. Becker	35	Director(1)
Eric L. Press	42	Director
M. Ali Rashid	31	Director(1)
John T. Baldwin	50	Director(1)

(1) Member of the Audit Committee of Metals USA Holdings.

C. Lourenço Gonçalves, 49, has been President and Chief Executive Officer and one of Metals USA s directors since February 2003 and President, Chief Executive Officer and Chairman of Metals USA Holdings since May 1, 2006. Mr. Gonçalves served as President and Chief Executive Officer of CSI from March 1998 to February 2003. From 1981 to 1998, he was employed by Companhia Siderurgica Nacional, where he held positions as a managing director, general superintendent of Volta Redonda Works, hot rolling general manager, cold rolling and coated products general manager, hot strip mill superintendent, continuous casting superintendent and quality control manager. Mr. Gonçalves is a metallurgical engineer with a masters degree from the Federal University of Minas Gerais State and a bachelor s degree from the Military Institute of Engineering in Rio de Janeiro, Brazil.

Robert C. McPherson, III, 44, became Senior Vice President of Metals USA on March 31, 2003 and Chief Financial Officer of Metals USA on December 1, 2005 and Senior Vice President and Chief Financial Officer of Metals USA Holdings on May 1, 2006. From August 2004 through November 2005, Mr. McPherson was President of the Building Products Group of Metals USA and from March 2003 to August 2004, Mr. McPherson was Senior Vice President, Business Development of Metals USA. Prior to joining us, Mr. McPherson was employed at CSI from 1989 until March 2003. Mr. McPherson served in a number of capacities at CSI, most recently having served as Treasurer and Controller from 1996 until 2003, Assistant Treasurer from 1992 until 1996, and as Cash Management Administrator from 1989 until 1992.

John A. Hageman, 53, became Senior Vice President, Chief Legal Officer, Chief Administrative Officer and Secretary of Metals USA in April 1997 and of Metals USA Holdings on May 1, 2006. From 1987 through 1997, Mr. Hageman was Senior Vice President of Legal Affairs, General Counsel and Secretary of Physician Corporation of America. From 1981 to 1987, Mr. Hageman was a partner with a law firm in Wichita, Kansas.

Keith Koci, 43, became Senior Vice President, Business Development of Metals USA on December 1, 2005 and of Metals USA Holdings on May 1, 2006. Mr. Koci joined us in August 1998 as a regional controller in the

Table of Contents

Flat Rolled and Non-Ferrous Group, subsequently served as Corporate Director of Budgeting from August 2003 through May 2004, and then served as Vice President, Corporate Controller from May 2004 through November 2005. Mr. Koci is a certified public accountant licensed in the State of Texas. Prior to joining us, Mr. Koci was CFO and Controller for Optimum Nutrition Inc. from 1996 until 1998.

Roger Krohn, 54, became President of the Flat Rolled and Non-Ferrous Group of Metals USA in November of 2003 and is responsible for the operations of our Flat Rolled and Non-Ferrous Group. Mr. Krohn served as President of Krohn Steel Service Center from 1982 until 1998. After we acquired Krohn Steel Service Center in 1998, Mr. Krohn remained as President and General Manager of Metals USA until becoming President of the Flat Rolled and Non-Ferrous Group in November 2003. After attending college, Mr. Krohn served seven years as a pilot in the U.S. Air Force, commissioned as an officer in 1975.

David A. Martens, 55, became President of the Plates and Shapes Group West of Metals USA in 2005 and is responsible for the operations of our Plates and Shapes Western Region. From 1999 through 2005, Mr. Martens was Vice President of our Plates and Shapes South Central Region of Metals USA. Mr. Martens was employed at Singer Steel, Inc. from 1978 until it was acquired by Uni-Steel, Inc. in 1987. Mr. Martens served in a number of capacities at Uni-Steel, a company later purchased by Metals USA, including Executive Vice President from 1992 to 1997, and President from 1997 to 1999.

Joe Longo, 60, became President of the Plates and Shapes Group East of Metals USA in July of 2005 and is responsible for 16 Plates and Shapes operations. Mr. Longo served as Vice President, Plates and Shapes Northeast of Metals USA since January 2001. Mr. Longo began his career with Bethlehem Steel in 1972 and entered the Steel Service Center industry in 1983 and held various management positions including Vice President East for Levinson Steel, a company later purchased by Metals USA. Mr. Longo is a graduate of the University of Maryland.

Joshua J. Harris, 42, became a director of Metals USA Holdings on May 9, 2005 and a director of Metals USA on November 30, 2005. Mr. Harris co-founded Apollo Management, L.P. in 1990. Prior to 1990, Mr. Harris was a member of the Mergers and Acquisitions Group of Drexel Burnham Lambert Incorporated. Mr. Harris currently serves on the boards of directors of AP Alternative Assets, Berry Plastics, Hexion Specialty Chemicals, Metals USA, Quality Distribution, and Verso Paper Holdings. Mr. Harris has previously served on the boards of directors of Nalco, Allied Waste Industries, Pacer International, General Nutrition Centers, Furniture Brands International, Compass Minerals Group, Alliance Imaging, NRT Corporation, Covalence Specialty Materials, United Agri Products, and Whitmire Distribution. Mr. Harris is actively involved in charitable and political organizations. He is a member and serves on the Corporate Affairs Committee of the Council on Foreign Relations and on the executive committee of the American Israel Public Affairs Committee. Mr. Harris serves as a member of the Department of Medicine Advisory Board for The Mount Sinai Medical Center. Mr. Harris graduated summa cum laude and Beta Gamma Sigma from the University of Pennsylvania s Wharton School of Business with a BS in Economics and received his MBA from the Harvard Business School, where he graduated as a Baker and Loeb Scholar.

Marc E. Becker, 35, became a director of Metals USA Holdings on May 9, 2005 and a director of Metals USA on November 30, 2005. Mr. Becker is a partner of Apollo. He has been employed with Apollo since 1996. Prior to that time, Mr. Becker was employed by Smith Barney Inc. within its Investment Banking division. Mr. Becker serves on the boards of directors of Affinion Group Inc., National Financial Partners Corporation and Quality Distribution, Inc. Mr. Becker graduated cum laude with a BS in Economics from the University of Pennsylvania s Wharton School of Business.

Eric L. Press, 42, became a director of Metals USA Holdings on May 9, 2005 and a director of Metals USA on November 30, 2005. Mr. Press is a partner of Apollo. He has been employed by Apollo since 1998 and has served as an officer of certain affiliates of Apollo. From 1992 to 1998, Mr. Press was associated with the law firm of Wachtell, Lipton, Rosen & Katz, specializing in mergers, acquisitions, restructurings and related financing transactions. From 1987 to 1989, Mr. Press was a consultant with The Boston Consulting Group. Mr. Press currently serves on the board of directors of Quality Distribution, Inc., Metals USA, Inc. and Affinion. He also serves on the Board of Trustees of The Rodeph Sholom School in New York City. Mr. Press graduated magna cum laude from Harvard College with an A.B. in Economics, and from Yale Law School.

M. Ali Rashid, 31, became a director of Metals USA Holdings on May 9, 2005 and a director of Metals USA on November 30, 2005. Mr. Rashid is a principal of Apollo. He has been employed by Apollo since 2000. From 1998 to 2000, Mr. Rashid was employed by the Goldman Sachs Group, Inc. in the Financial Institutions Group of its Investment Banking Division. He is a director of Quality Distribution, Inc., Metals USA, Inc. and Realogy Corporation. Mr. Rashid received an MBA from the Stanford Graduate School of Business and graduated magna cum laude and Beta Gamma Sigma from Georgetown University with a BS in Business Administration.

John T. Baldwin, 50, became a director and Chairman of the Audit Committee of Metals USA Holdings on May 1, 2006 and a director of Metals USA on January 18, 2006. Mr. Baldwin served as Senior Vice President and Chief Financial Officer of Graphic Packaging Corporation from September 2003 to August 2005, and as Vice President and Chief Financial Officer of Worthington Industries, Inc. from December 1998 to September 2003. He joined Worthington, a steel processor, in 1997 as Treasurer. Prior to Worthington, Mr. Baldwin served in various financial capacities at Tenneco Inc. in Greenwich, Connecticut, London, England and Houston, Texas. Mr. Baldwin is a graduate of the University of Houston and the University of Texas School of Law. Mr. Baldwin has served on the Board of The Genlyte Group Incorporated, a lighting manufacturer, since March 2003 and has been Chairman of the Audit Committee of The Genlyte Group Incorporated since April 2006.

There are no family relationships between any of our executive officers or directors.

Compensation Discussion and Analysis

Overview of compensation program. Prior to February 9, 2007, including the entire year of 2006, the Board of Directors of Metals USA Holdings (currently consisting of the directors of Metals USA and Flag Intermediate), excluding Mr. Gonçalves, made all compensation decisions, and as such had the responsibility for establishing, implementing and monitoring compliance with the Company s compensation philosophy. On February 9, 2007, the Board of Directors established a compensation committee to ensure that the total compensation and benefits paid to or provided to executives is reasonable, fair, and competitive (hereafter, said Board of Directors, excluding Mr. Gonçalves, and the compensation committee (together with our Board of Directors where appropriate) are referred to in this prospectus as the Compensation Committee).

Compensation philosophy and objectives. The Compensation Committee believes an effective compensation program should be one that is designed to: attract and retain the best possible executive talent; tie annual and long-term cash and equity incentives to the achievement of measurable corporate, business unit and individual performance objectives; and align executives incentives with the creation of stockholder value. To achieve these objectives, the Compensation Committee implements, maintains and monitors compensation plans which tie a substantial portion of the executives overall compensation to the achievement of established objective goals including: profitability, workplace safety and the efficient use of capital. When establishing these objectives and goals, the Compensation Committee considers the objectives and goals of companies of similar size in our industry while taking into account our strategic goals and relative performance.

Role of executive officers in compensation decisions. The Compensation Committee makes all compensation decisions for the Chief Executive Officer and all decisions relating to equity based compensation awards. The Compensation Committee, together with recommendations and input from the Chief Executive Officer, makes non-equity compensation decisions with respect to the other executives.

On at least an annual basis, the Compensation Committee reviews the performance of the Chief Executive Officer as compared with the achievement of the Company s objective goals and any individual goals. The

Table of Contents

Compensation Committee, together with the Chief Executive Officer, annually reviews the performance of each individual executive as compared with the achievement of Company or operating division goals, as the case may be, together with each executive s individual goals. The Compensation Committee can then exercise its discretion in modifying any recommended adjustments or awards to the executives.

Setting executive compensation. Based on the above objectives and philosophies, the Compensation Committee has established annual and long-term cash and equity compensation components to motivate the executives to achieve, and hopefully exceed, the business goals established by the Company and to fairly reward such executives for achieving such goals. The Compensation Committee has not retained a compensation consultant to review our policies and procedures with respect to executive compensation. The Compensation Committee periodically conducts a review of the aggregate level and mix of our executive compensation against companies in our same industry (both publicly and privately held).

2006 Executive Compensation Components

For fiscal year ended December 31, 2006, the principal components of compensation for our executives are described below:

Base salary. We provide executives and other employees with base salary to compensate them for services rendered during the fiscal year. Base salaries are set to recognize the experience, skills, knowledge and responsibilities required of the executives in their respective roles. Base salaries are reviewed annually, and will be adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience, including the terms of any agreements we have in place with such executive officer. Base salaries are established for a given position taking into consideration the factors discussed above, together with available market or comparable salary data. We try to set base salaries at or slightly above the midpoint of the base salary comparables for each position.

Performance-based executive incentive compensation plan. For fiscal 2006, an Executive Incentive Compensation Plan, which we refer to in this prospectus as the EICP, was established by the Board of Directors in early 2006. The EICP establishes objectives for the calculation of annual cash bonuses for each executive, subject to Compensation Committee oversight and modification. The EICP provides for annual incentive bonuses which are intended to compensate officers for achieving or exceeding company and/or operating group financial and operational goals and for achieving individual annual performance goals. The EICP uses a sliding scale applied to various targets with corresponding achievement levels. No bonus is earned unless the minimum targets are achieved. Each component can result in additional bonus being earned should the targets be exceeded. For fiscal year 2006, the EICP objectives were primarily based on profitability, safety, and the efficient use of capital. The EICP objectives will be the same for fiscal year 2007.

Incentives under the EICP are paid in cash and are typically paid in a single installment in the first quarter following the completion of a given fiscal year. The Compensation Committee has reserved the right under the EICP to also pay discretionary bonuses. Such discretionary bonuses are paid if the Compensation Committee determines that a particular executive has exceeded the objectives and/or goals established for such executive or made a unique contribution to the Company during the year.

Equity program; stock options and restricted stock. Under the Metals USA Holdings Amended and Restated 2005 Stock Incentive Plan, which we refer to in this prospectus as the 2005 Plan, the Compensation Committee may make various types of awards with respect to Metals USA Holdings common stock. Metals USA Holdings is a privately held company and its common stock, including any stock issued or obtained pursuant to the 2005 Plan, has transfer restrictions. The maximum amount of common stock that can be issued (or in respect of which awards can be issued) under the 2005 Plan is 1.4 million shares. Among other things, the Compensation Committee decides which of our executives, employees, directors or consultants shall receive awards under the 2005 Plan and the type of award made. In the case of stock options granted under the 2005

Plan, the Compensation Committee determines the strike price, vesting terms, and other applicable terms or conditions they may determine, in their sole discretion, provided such terms and conditions are allowed under the 2005 Plan. The 2005 Plan has two tranches of options; Tranche A and Tranche B. Tranche A options vest on a pro-rata basis over five years, have a term of ten years, and expire if not exercised. Tranche B options, which include both a service and a performance condition, vest on the eighth anniversary of the date of grant or earlier depending on the achievement of certain performance targets, have a term of ten years from date of grant, and expire if not exercised. All of the awards granted to management under the 2005 Plan were granted on the effective date of the Merger, except for one. A March 17, 2006 award was received by Mr. Gonçalves in connection with his exercise of certain of his options granted at the effective date of the Merger. Awards granted to our Board of Directors were made in January 2006.

The Compensation Committee has not established any program, plan or practice for the issuance of equity awards to employees. Newly elected directors are granted 40,000 shares of non-qualified options at fair market value which vest ratably over five years.

We do not have any program, plan or practice in place for selecting grant dates for awards under the 2005 Plan in coordination with the release of material non-public information. The exercise price for the option awards is the fair market value of the stock of Metals USA Holdings on the date of grant. The fair market value is determined using a combination of discounted cash flows and financial metrics from companies with similar characteristics of Metals USA Holdings. The Compensation Committee is not prohibited from granting awards at times when they are in possession of material non-public information. However, no inside information was taken into account in determining the number of options previously awarded or the exercise price for those awards, and we did not time the release of any material non-public information to affect the value of those awards.

The Compensation Committee believes that the granting of awards under the 2005 Plan promotes, on a short-term and long-term basis, an enhanced personal interest and alignment of interests of those executives receiving equity awards with the goals and strategies of the Company. The Compensation Committee also believes that the equity grants provide not only financial rewards to such executives for achieving Company goals but also provide additional incentives for executives to remain with the Company.

In connection with the May 2006 dividend and pursuant to the 2005 Plan s provisions of rights preservation, the Compensation Committee modified the outstanding options by reducing the per share exercise price by $1.78 in order to retain the participants rights proportionate with those prior to the dividend payment. In connection with the dividend paid to Metals USA Holdings stockholders in January 2007, the outstanding employee stock options under the 2005 Plan were adjusted a second time by an amount approximately equal to the per share amount of this dividend. The per share exercise price of the options granted on November 30, 2005, was decreased by $4.22 to $4.00 and the per share exercise price of the options granted on March 17, 2006, was reduced by $4.89 to $4.00. Option holders received the approximate balance of the dividend as a cash payment with respect to vested options and as a contribution to a deferred compensation plan with respect to unvested options, as more fully described below in the section entitled Deferred Compensation Plan. Because the payment of the special dividend discussed above resulted in the 25% achievement of certain other performance targets, the Compensation Committee exercised its discretion under the 2005 Plan to vest all of the outstanding Tranche B options.

In connection with the dividend paid to Metals USA Holdings stockholders in July 2007, option holders received a cash payment equal to the per share amount of the dividend, approximately $9.25 per option, on all vested and unvested options held by the option holder.

***Deferred compensation plan*.** As discussed above in the section entitled Equity Program; Stock Options and Restricted Stock, in connection with the January 2007 dividend and vesting of certain Metals USA Holdings options, the reduction in the exercise price for outstanding options was less than the amount of the dividend per share. Accordingly, a deferred compensation plan was created and an amount approximately equal

Table of Contents

to the balance of the dividend was credited to a deferred compensation account under the plan for holders of unvested options. Holders of vested options received a cash amount approximately equal to the balance of the dividend. Payment of an estimated total of $2.3 million to our senior management under the deferred compensation plan is subject to continued employment for two years following the modification date (January 3, 2007).

401(k) plan. Our executive officers are eligible to participate in our companywide 401(k) plan for salaried employees. The company matches the first 2% of the employee contribution.

Perquisites and other personal benefits. We provide the executives, including other employees generally, with perquisites and other personal benefits that we and the Compensation Committee believe are reasonable, competitive and which are consistent with the overall compensation program to enable us to attract and retain qualified employees for key positions. The Compensation Committee periodically reviews the perquisites and other benefits provided to the executives, as well as the other employees.

Tax treatment. We consider the anticipated tax treatment of our executive compensation program when setting levels and types of compensation. Section 162(m) of the Internal Revenue Code of 1986, as amended, which we refer to in this prospectus as the Code, generally disallows a tax deduction to public companies for compensation paid to a company s chief executive officer or any of its other four most highly compensated executive officers in excess of $1 million in any year, with certain performance-based compensation being specifically exempt from this deduction limit. Compensation received under the EICP is performance-based, and therefore qualifies for the exemption from the deduction limit. As such, during 2006, none of our employees subject to this limit received Section 162(m) of the Code compensation in excess of $1 million. Consequently, the requirements of Section 162(m) of the Code should not affect the tax deductions available to us in connection with our senior executive compensation program for 2006.

Conclusion. Our compensation policies are designed to reasonably and fairly motivate, retain and reward our executives for achieving our objectives and goals.

Table of Contents

Compensation Tables

Summary Compensation Table

The table below summarizes the total compensation paid or earned by each of the named executive officers for the fiscal year ended December 31, 2006. Amounts listed under the columns entitled Bonus, Non-Equity Incentive Plan Compensation, and All Other Compensation were determined and approved by the Board of Directors.

(a) Name and Principal Position	(b) Fiscal Year	(c) Salary	(d) Bonus (1)	(e) Stock Awards (2)	(f) Option Awards (3)	(g) Non-Equity Incentive Plan Compensation (4)	(h) Change in Pension Value and Non-Qualified Deferred Compensation Earnings	(i) All Other Compensation (5)	(j) Total
C. Lourenço Gonçalves *President and Chief Executive Officer*	2006	$ 585,000	$ 27,329	$ 36,000	$ 493,169	$ 828,656	$	$ 105,091	$ 2,075,245
Robert C. McPherson, III *Senior Vice President and Chief Financial Officer*	2006	300,000		27,500	56,763	262,178		15,507	661,948
John A. Hageman *Senior Vice President and Chief Legal Officer*	2006	290,000			82,191	253,438		37,017	662,646
Roger Krohn *President Flat Rolled and Non-Ferrous Group*	2006	280,000		24,500	53,199	247,848		15,612	621,159
David A. Martens *President Plates and Shapes Group West*	2006	250,000	35,000	8,000	14,779	251,062		14,300	573,141

(1) The amounts in column (d) reflect the amount attributable to annual bonus paid to the named executive officers based on the discretion of the Compensation Committee, which is discussed further under Compensation Discussion and Analysis above.

(2) The amounts in column (e) reflect the dollar amount recognized for financial reporting purposes for the fiscal year ended December 31, 2006, in accordance with SFAS 123(R) of awards pursuant to our Amended and Restated 2005 Stock Incentive Plan, and thus, include amounts from awards granted in and prior to 2006. See Note 11 to our Consolidated Financial Statements for the fiscal year ended December 31, 2006 for further discussion of restricted stock awards.

(3) The amounts in column (f) reflect the dollar amount recognized for financial reporting purposes for the fiscal year ended December 31, 2006, in accordance with SFAS 123(R) of awards pursuant to our Amended and Restated 2005 Stock Incentive Plan, and thus, include amounts from awards granted in and prior to 2006. Assumptions used in the calculation of this amount for the fiscal year ended December 31, 2006 are included in Note 11 to our Consolidated Financial Statements.

(4) The amounts in column (g) reflect the cash awards to the named individuals under the EICP, which is discussed further under Compensation Discussion and Analysis above.

(5) The amounts in column (i) reflect for each named executive officer:

- matching contributions allocated by the company to each of the named executive officers pursuant to the Metals USA, Inc. 401(k) Plan, which is described more fully in Note 13 to our Consolidated Financial Statements;
- the amount attributable to company payments for personal use of automobiles;
- the amount of income taxes paid by the company on behalf of the named executive officer for automobile allowances as follows: C. Lourenço Gonçalves $8,603, Robert C. McPherson, III $4,130, and John A. Hageman $4,130;
- the amounts attributable to company reimbursements for club dues payable by each of the named executive officers;
- the amounts attributable to company reimbursements for medical insurance premiums and life insurance premiums; and

the dollar value of dividends paid on stock awards, which amounted to $70,488 for C. Lourenço Gonçalves, in connection with a special dividend paid to Metals USA Holdings   stockholders in May 2006.

None of the other amounts attributable to each such perquisite or benefit exceeds the greater of $25,000 or 10% of the total amount of perquisites for each named executive officer.

Table of Contents

Grants of Plan-Based Awards

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	Grant Date	Threshold	Target	Maximum	Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock or Units (2)	All Other Option Awards: Number of Securities Under-lying Options (3)	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
C. Lourenço Gonçalves	3/17/06	$	$ 643,500	$ 1,251,900				3,600	$	$	$ 36,000
									40,790	8.89	266,399
Robert C. McPherson, III			210,000	402,000							
John A. Hageman			203,000	388,600							
Roger Krohn			196,000	375,200							
David A. Martens			175,000	335,000							

(1) The amounts shown in column (c) reflect the minimum payment level under the Metals USA Holdings Annual Incentive Bonus Plan for 2006, which is zero, which plan does not have a maximum limit with respect to profitability objectives. For purposes of calculating the maximum presented in column (e), a 200% achievement level was assumed. It is not likely that a 200% achievement level would be met. These amounts are based on the individual s current salary and position. See Compensation Discussion and Analysis above for further discussion.

(2) The amounts shown in column (i) reflect the number of shares of stock granted to each named executive officer pursuant to employment agreements with each officer. On March 17, 2006, Mr. Gonçalves received a grant of 3,600 shares of Metals USA Holdings common stock with a grant date fair value of $10.00 per share. See Compensation Discussion and Analysis above and Note 11 to our Consolidated Financial Statements for further discussion of restricted stock awards.

(3) The amounts shown in column (j) reflect the number of stock options granted to each named executive officer pursuant to employment agreements with each officer. On March 17, 2006, Mr. Gonçalves received a grant of options to purchase 40,790 shares of Metals USA Holdings common stock at an exercise price of $10.67 per share. Awards are generally granted with an exercise price equal to the fair value of Metals USA Holdings stock at the date of grant. The fair value of the stock is a calculated value based on the date of each of the respective grants using a combination of discounted cash flows and financial metrics from companies with similar characteristics of Metals USA Holdings. In connection with a special dividend paid to Metals USA Holdings stockholders in May 2006, the exercise price was reduced to $8.89. The options exercise price was reduced by an amount equal to the per share amount of the dividend. These options were allocated equally into Tranches A and B and are subject to the vesting terms as described in Note 11 to our Consolidated Financial Statements.

Amended and Restated 2005 Stock Incentive Plan

In connection with the Merger, Metals USA Holdings adopted the 2005 Stock Incentive Plan, which we refer to in this prospectus as the 2005 Plan, which was amended and restated by Metals USA Holdings on January 18, 2006, under which Messrs. Gonçalves, McPherson, Hageman, Krohn, Martens and other management participants are eligible to receive awards of stock options for common stock of Metals USA Holdings. Pursuant to option agreements entered into that are subject to the terms of the 2005 Plan, Messrs. Gonçalves, McPherson, Hageman, Krohn and Martens have been granted options under the Plan, effective at the effective time of the Merger. The number of options to be granted to each of Messrs. Gonçalves, McPherson, Hageman, Krohn and Martens and the date of vesting and pricing of such options are more fully described above under Management Agreements with Metals USA and Related Stock Option Grants from Metals USA Holdings. Under the 2005 Plan, awards may be granted to employees or directors of, or consultants to, us, or any of our subsidiaries, except that consultants may only receive awards with the consent of our president. The 2005 Plan has a term of ten years. The date of grant, vesting and pricing of options granted under the option plan are subject to the discretion of the Compensation Committee of Metals USA Holdings. In addition, Messrs. Gonçalves, McPherson, Hageman, Krohn and Martens and a limited number of other management participants have also received awards of restricted shares of our common stock of Metals USA Holdings granted under the 2005 Plan. Messrs. Gonçalves, McPherson, Hageman, Krohn and Martens have been granted 39,600, 5,500, 8,000, 4,900 and 1,600 restricted shares, respectively, pursuant to restricted stock agreements entered into that are subject to the terms of the 2005 Plan.

Table of Contents

See Compensation Discussion and Analysis above and Note 11 to our Consolidated Financial Statements for a discussion and the 2005 Plan.

Management Agreements with Metals USA and Related Stock Option Grants from Metals USA Holdings

Each of Messrs. Gonçalves, Hageman and McPherson has an employment agreement and each of Messrs. Krohn, Martens and Longo has a severance agreement with Metals USA.

***Mr. Gonçalves employment agreement*.** Under his employment agreement, Mr. Gonçalves serves as Metals USA s President and Chief Executive Officer for an initial term of five years following the effective date of the Merger. The initial term will automatically be renewed for successive one-year periods unless 90 days prior notice is given by either party. In addition, Mr. Gonçalves is a member of our Board of Directors. He receives an annual base salary of $585,000. Mr. Gonçalves is eligible to receive an annual bonus of not less than 100% of his base salary if we achieve specified performance objectives. In addition, pursuant to his employment agreement, he received two stock option grants at the effective time of the Merger, November 30, 2005, to purchase shares of Metals USA Holdings common stock at an exercise price of $10.00 per share. The first grant was for options to purchase 407,960 shares of Metals USA Holdings common stock and expires ten years after the grant date. Pursuant to his non-qualified stock option agreements, the options were classified as Tranche A options or Tranche B options. The Tranche A options cover 203,980 of the shares subject to the options, and 20% of these options vest and become exercisable on each of the first five anniversaries of the grant date, except that vesting will accelerate upon our sale. Tranche B includes the remaining 203,980 shares subject to this first grant of options and vests and becomes exercisable on the earlier of the eighth anniversary of the grant date and the achievement of other performance metrics. The second grant was for options to purchase 18,800 shares of Metals USA Holdings common stock and was fully vested as of the grant date and exercisable on or before March 30, 2006. Mr. Gonçalves exercised his options subject to the second grant on March 17, 2006. Pursuant to his option agreement, upon such exercise on March 17, 2006, Mr. Gonçalves received an additional grant of options to purchase 40,790 shares of Metals USA Holdings common stock at an exercise price of $10.67 per share. These additional options are allocated equally into Tranches A and B and are subject to similar vesting specifications as the first grant of options to purchase 407,960 shares of Metals USA Holdings discussed above. In connection with the May 2006 dividend, the exercise price of the options granted on November 30, 2005, was reduced to $8.22 and the exercise price of the options granted on March 17, 2006 was reduced to $8.89. The options exercise price was reduced by an amount equal to the per share amount of the dividend. In connection with the January 2007 dividend, the exercise price of the outstanding employee stock options under the 2005 Plan was adjusted a second time. The per share exercise price of the options granted on November 30, 2005, was decreased by $4.22 to $4.00 and the per share exercise price of the options granted on March 17, 2006, was reduced by $4.89 to $4.00. With respect to his vested options, a cash payment was made to Mr. Gonçalves approximating the balance of the dividend (including all Tranche B options, which were vested in the Board s discretion based on the achievement of the related performance metrics). With respect to his unvested options, an amount approximating the balance of the dividend was credited to a deferred compensation account, distribution of which is subject to continued employment through January 3, 2009. In connection with the July 2007 dividend, Mr. Gonçalves received on all of his vested and unvested options a cash payment of $9.25 per option, an amount equal to the per share amount of the dividend. Further, Mr. Gonçalves received a grant of 36,000 restricted shares at the effective time of the Merger and an additional 3,600 upon the exercise of the 18,800 options discussed above, which vested immediately. Under the employment agreement, Mr. Gonçalves is provided employee benefits equal to or greater than those provided to him by us prior to the Merger. Upon Mr. Gonçalves termination of employment by us without cause or by Mr. Gonçalves for good reason (each as defined in the employment agreement) or upon our election not to renew his employment, Mr. Gonçalves will be entitled to receive the following severance payments and benefits: all accrued salary and bonus earned but not yet paid, a pro-rata bonus for the year in which the termination occurs, a lump sum payment equal to twelve months of his base salary, monthly payments equal to one-twelfth of his annual base salary beginning with the thirteenth month following the date of his termination, until the twenty-fourth month following his date of termination (or on the earlier date of his material violation of the terms of his employment agreement), and the reimbursement for the

Table of Contents

cost of COBRA Continuation coverage for a period of up to eighteen months. Additionally, Mr. Gonçalves will be subject to certain restrictions on his ability to compete with us or solicit our customers or employees for two years after his termination. Mr. Gonçalves employment agreement may also be terminated for cause (as defined in the employment agreement).

Mr. Hageman s employment agreement. Under his employment agreement, Mr. Hageman serves as our senior vice president and chief legal officer and administrative officer for an initial term of two years following the effective time of the Merger. The initial term will automatically be renewed for successive one-year periods unless 90 days prior notice is given by either party. Mr. Hageman receives an annual base salary of $290,000 and is eligible for an annual bonus of 70% of his base salary if we achieve specified performance objectives. In addition, at the effective time of the Merger, he received a stock option grant to purchase 73,000 shares of Metals USA Holdings common stock at an exercise price of $10.00 per share that expires ten years after the grant date. Pursuant to his non-qualified stock option agreement, 36,500 of these options are classified as Tranche A Options and 20% of these options will vest and become exercisable on each of the first five anniversaries of the grant date, except that vesting will accelerate upon our sale. The remaining 36,500 options are classified as Tranche B Options and will vest and become exercisable on the earlier of the eighth anniversary of the effective time of the Merger and the date other performance targets are achieved. In connection with the May 2006 dividend, the exercise price of the options was reduced to $8.22. The exercise price was reduced by an amount equal to the per share amount of the dividend. In connection with the January 2007 dividend, the exercise price of the outstanding employee stock options under the 2005 Plan was adjusted a second time. The per share exercise price of the options granted on November 30, 2005, was decreased by $4.22 to $4.00. With respect to his vested options, a cash payment was made to Mr. Hageman approximating the balance of the dividend (including all Tranche B options, which were vested in the Board s discretion based on the achievement of the related performance metrics). With respect to his unvested options, an amount approximating the balance of the dividend was credited to a deferred compensation account, distribution of which is subject to continued employment through January 3, 2009. In connection with the July 2007 dividend, Mr. Hageman received on all of his vested and unvested options a cash payment $9.25 per option, an amount equal to the per share amount of the dividend. Further, Mr. Hageman received a grant of 8,000 restricted shares on the effective date of the Merger, which vested immediately. Mr. Hageman is provided employee benefits equal to those provided to him by us prior to the Merger. Upon his termination of employment by us without cause or by Mr. Hageman for good reason, or upon our election not to renew his employment, Mr. Hageman will be entitled to the following severance payments and benefits: all accrued salary and bonus earned but not paid, a pro rata bonus for the year in which the termination occurs, his annual base salary for a period of eighteen months following his termination or, at our election, a lump sum payment equal to eighteen months of annual base salary (such payments to cease (or be repaid by Mr. Hageman on a pro-rata basis in the case of a lump sum payment) if he violates the terms of his employment agreement prior to such time), and the reimbursement for the cost of COBRA Continuation coverage for a period of up to eighteen months. Additionally, Mr. Hageman will be subject to certain restrictions on his ability to compete with us for eighteen months or solicit our customers or employees for two years after his termination. Mr. Hageman s employment agreement may also be terminated for cause (as defined in the employment agreement).

Mr. McPherson s employment agreement. Under his employment agreement, Mr. McPherson serves as our senior vice president and chief financial officer for an initial term of two years following the effective time of the Merger. The initial term will automatically be renewed for successive one-year periods unless 90 days prior notice is given by either party. Mr. McPherson receives an annual base salary of $300,000 and is eligible for an annual bonus of 70% of his base salary if we achieve specified performance objectives. In addition, at the effective date of the Merger, he received a stock option grant to purchase 50,415 shares of Metals USA Holdings common stock at an exercise price of $10.00 per share that expires ten years after the grant date. Pursuant to his non-qualified stock option agreement, 25,207 of these options are classified as Tranche A Options, and 20% of these options will vest and become exercisable on each of the first five anniversaries of the grant date, except that vesting will accelerate upon our sale. The remaining 25,208 options are classified as Tranche B Options and will vest and become exercisable on the earlier of the eighth anniversary of the grant date

Table of Contents

and the date certain other performance targets are achieved. In connection with the May 2006 dividend, the exercise price of the options was reduced to $8.22. The exercise price was reduced by an amount equal to the per share amount of the dividend. In connection with the January 2007 dividend, the exercise price of the outstanding employee stock options under the 2005 Plan was adjusted a second time. The per share exercise price of the options granted on November 30, 2005, was decreased by $4.22 to $4.00. With respect to his vested options, a cash payment was made to Mr. McPherson approximating the balance of the dividend (including all Tranche B options, which were vested in the Board s discretion based on the achievement of the related performance metrics). With respect to his unvested options, an amount approximating the balance of the dividend was credited to a deferred compensation account, distribution of which is subject to continued employment through January 3, 2009. In connection with the July 2007 dividend, Mr. McPherson received on all of his vested and unvested options a cash payment $9.25 per option, an amount equal to the per share amount of the dividend. Further, on the effective date of the Merger, Mr. McPherson received a grant of 5,500 restricted shares, which shares will vest on the second anniversary of the Merger. Mr. McPherson is provided employee benefits equal to those provided to him by us prior to the Merger. Upon Mr. McPherson s termination of employment by us without cause or by Mr. McPherson for good reason (each as defined in the employment agreement) or upon our election not to renew his employment, Mr. McPherson will be entitled to receive the same severance payments as set forth in Mr. Hageman s employment agreement and described above. Additionally, Mr. McPherson will be subject to certain restrictions on his ability to compete with us for eighteen months or solicit our customers or employees for two years after his termination. Mr. McPherson s employment agreement may also be terminated for cause (as defined in the employment agreement).

Mr. Krohn s severance agreement. Under his severance agreement, upon his termination of employment by us without cause or by Mr. Krohn for good reason as those terms are defined in the severance agreement, Mr. Krohn will be entitled to the following severance payments and benefits: his annual base salary for a period of twelve months following his termination of employment (such payments to cease if he violates any material terms of his severance agreement prior to such time) and the reimbursement for the cost of COBRA Continuation coverage for a period of up to twelve months. Additionally, Mr. Krohn will be subject to certain restrictions on his ability to compete with us for one year (two years if his employment is terminated for cause or he resigns without good reason) and to solicit our customers or employees for two years after his termination. In addition, pursuant to a stock option agreement with Metals USA Holdings, Mr. Krohn received a stock option grant on November 30, 2005, at the effective time of the Merger, to purchase 47,250 shares of Metals USA Holdings common stock at an exercise price of $10.00 per share that expires ten years after the grant date. Pursuant to his non-qualified stock option agreement, 23,625 of these options are classified as Tranche A Options, 20% of which vest and become exercisable on each of the first five anniversaries of the grant date, except that vesting will accelerate upon our sale. The remaining 23,625 options are classified as Tranche B Options and will vest and become exercisable on the earlier of the eighth anniversary of the effective time of the Merger and the date certain other performance targets are achieved. In connection with the May 2006 dividend, the exercise price was reduced to $8.22. The exercise price was reduced by an amount equal to the per share dividend. In connection with the January 2007 dividend, the exercise price of the outstanding employee stock options under the 2005 Plan was adjusted a second time. The per share exercise price of the options granted on November 30, 2005, was decreased by $4.22 to $4.00. With respect to his vested options, a cash payment was made to Mr. Krohn approximating the balance of the dividend (including all Tranche B options, which were vested in the Board s discretion based on the achievement of the related performance metrics). With respect to his unvested options, an amount approximating the balance of the dividend was credited to a deferred compensation account, distribution of which is subject to continued employment through January 3, 2009. In connection with the July 2007 dividend, Mr. Krohn received on all of his vested and unvested options a cash payment $9.25 per option, an amount equal to the per share amount of the dividend. Further, pursuant to a restricted stock agreement with Metals USA Holdings, on the effective date of the Merger, Mr. Krohn received a grant of 4,900 restricted shares, which shares will vest on the second anniversary of the Merger.

Mr. Martens severance agreement. Under his severance agreement, upon his termination of employment by us without cause or by Mr. Martens for good reason as those terms are defined in the severance

Table of Contents

agreement, Mr. Martens will be entitled to the following severance payments and benefits: his annual base salary for a period of twelve months following his termination of employment (such payments to cease if he violates any material terms of his severance agreement prior to such time) and the reimbursement for the cost of COBRA Continuation coverage for a period of up to twelve months. Additionally, Mr. Martens will be subject to certain restrictions on his ability to compete with us for one year (two years if his employment is terminated for cause or he resigns without good reason) and to solicit our customers or employees for two years after his termination. In addition, pursuant to a stock option agreement with Metals USA Holdings, Mr. Martens received a stock option grant, at the effective time of the Merger, to purchase 13,126 shares of Metals USA Holdings common stock at an exercise price of $10.00 per share that will expire ten years after the grant date. Pursuant to his non-qualified stock option agreement, 6,563 of these options are classified as Tranche A Options, 20% of which will vest and become exercisable on each of the first five anniversaries of the grant date, except that vesting will accelerate upon our sale. The remaining 6,563 options are classified as Tranche B Options and will vest and become exercisable on the earlier of the eighth anniversary of the effective time of the Merger and the date that certain other performance targets are achieved. In connection with the May 2006 dividend, the exercise price of the options was reduced to $8.22. The exercise price was reduced by an amount equal to the per share dividend. In connection with the January 2007 dividend, the exercise price of the outstanding employee stock options under the 2005 Plan was adjusted a second time. The per share exercise price of the options granted on November 30, 2005, was decreased by $4.22 to $4.00. With respect to his vested options, a cash payment was made to Mr. Martens approximating the balance of the dividend (including all Tranche B options, which were vested in the Board s discretion based on the achievement of the related performance metrics). With respect to his unvested options, an amount approximating the balance of the dividend was credited to a deferred compensation account, distribution of which is subject to continued employment through January 3, 2009. In connection with the July 2007 dividend, Mr. Martens received on all of his vested and unvested options a cash payment $9.25 per option, an amount equal to the per share amount of the dividend. Further, pursuant to a restricted stock agreement with Metals USA Holdings, on the effective date of the Merger, Mr. Martens received a grant of 1,600 restricted shares, which shares will vest on the second anniversary of the Merger.

Mr. Longo s severance agreement. Under his severance agreement, upon his termination of employment by us without cause or by Mr. Longo for good reason as those terms are defined in the severance agreement, Mr. Longo will be entitled to the following severance payments and benefits: his annual base salary for a period of twelve months following his termination of employment (such payments to cease if he violates any material terms of his severance agreement prior to such time), and the reimbursement for the cost of COBRA Continuation coverage for a period of up to twelve months. Additionally, Mr. Longo will be subject to certain restrictions on his ability to compete with us for one year (two years if his employment is terminated for cause or he resigns without good reason) and to solicit our customers or employees for two years after his termination. In addition, pursuant to a stock option agreement with Metals USA Holdings, Mr. Longo received a stock option grant, at the effective time of the Merger, to purchase 15,750 shares of Metals USA Holdings common stock at an exercise price of $10.00 per share that will expire ten years after the grant date. Pursuant to his non-qualified stock option agreement, 7,875 of these options are classified as Tranche A Options, 20% of which will vest and become exercisable on each of the first five anniversaries of the grant date, except that vesting will accelerate upon our sale. The remaining 7,875 options are classified as Tranche B Options and will vest and become exercisable on the earlier of the eighth anniversary of the effective time of the Merger and the date certain other performance targets are achieved. In connection with the May 2006 dividend, the exercise price of the options was reduced to $8.22. The exercise price was reduced by an amount equal to the per share amount of the dividend. In connection with the January 2007 dividend, the exercise price of the outstanding employee stock options under the 2005 Plan was adjusted a second time. The per share exercise price of the options granted on November 30, 2005, was decreased by $4.22 to $4.00. With respect to his vested options, a cash payment was made to Mr. Longo approximating the balance of the dividend (including all Tranche B options, which were vested in the Board s discretion based on the achievement of the related performance metrics). With respect to his unvested options, an amount approximating the balance of the dividend was credited to a deferred compensation account, distribution of which is subject to continued employment through January 3, 2009. In connection with the July 2007 dividend, Mr. Longo received on all of his vested and unvested options a cash

Table of Contents

payment $9.25 per option, an amount equal to the per share amount of the dividend. Further, pursuant to a restricted stock agreement with Metals USA Holdings, on the effective date of the Merger, Mr. Longo received a grant of 1,600 restricted shares, which shares will vest on the second anniversary of the Merger.

Bonus Plan

See Compensation Discussion and Analysis for a discussion of our EICP.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards (1)				Stock Awards (1)	
(a)	(b)	(c)	(e)	(f)	(g)	(h)
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (2)
C. Lourenço Gonçalves	40,796	367,164	8.22	11/30/15		
		40,790	8.89	11/30/15		
Robert C. McPherson, III	5,042	45,373	8.22	11/30/15	5,500	$ 55,000
John A. Hageman	7,300	65,700	8.22	11/30/15		
Roger Krohn	4,725	42,525	8.22	11/30/15	4,900	$ 49,000
David A. Martens	1,313	11,813	8.22	11/30/15	1,600	$ 16,000

(1) See Note 11 to our Consolidated Financial Statements for the fiscal year ended December 31, 2006 for a description of Metals USA Holdings share option and restricted stock plans, including the vesting schedule.

(2) As the common stock of Metals USA Holdings is held by Apollo and members of management, there is no established trading market for the common stock and it is not traded on any stock exchange. Since there is no closing market price at which to establish the market value of the awards reported in column (g), the $10.00 per share grant value has been used, which was determined on the date of grant using a combination of discounted cash flows and financial metrics from companies with similar characteristics to those of Metals USA Holdings.

Option Exercises and Stock Vesting

	Option Awards (1)		Stock Awards (1)	
(a)	(b)	(c)	(d)	(e)
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
C. Lourenço Gonçalves	18,800	$ 12,596	3,600	$ 36,000
Robert C. McPherson, III				
John A. Hageman				
Roger Krohn				
David A. Martens				

(1) See Note 11 to our Consolidated Financial Statements for the fiscal year ended December 31, 2006 for further discussion of stock option exercises during the fiscal year ended December 31, 2006.

114

Table of Contents

Potential Payments Upon Termination or Change of Control

Our employment and severance agreements are described under the Grants of Plan-Based Awards table above.

If (1) each of our named executive officers terminated their employment for good reason or was terminated other than for cause, death or disability, or (with respect to those executives with employment agreements) if we elected not to renew their employment agreements, or (2) each of our named executive officers was terminated as a result of death or disability, as of December 31, 2006, our named executive officers would be paid the following amounts, respectively:

	Voluntary Termination or Involuntary without Cause Termination On 12-31-06	Death or Disability On 12-31-06
C. Lourenço Gonçalves:		
Compensation		
Accrued Bonus (Incentive Plan)	$ 828,656	$ 828,656
Lump Sum Salary (12 months)	$ 585,000	$ 585,000
Lump Sum Salary Death (24 months)		$ 1,170,000
Monthly Salary (12 months)	$ 585,000	
Benefits and Perquisites		
401(k) Savings Plans	$ 12,775	$ 12,775
Health and Welfare Benefits	$ 23,840	$ 23,840
Disability Income(1)		$ 1,672,586
Life Insurance Benefits(2)		$ 400,000
Accrued Vacation Pay	$ 33,750	$ 33,750
Robert C. McPherson, III:		
Compensation		
Accrued Bonus (Incentive Plan)	$ 262,178	$ 262,178
Lump Sum Salary (12 months)		$ 300,000
Monthly Salary (18 months)	$ 450,000	
Benefits and Perquisites		
401(k) Savings Plans	$ 11,690	$ 11,690
Health and Welfare Benefits	$ 23,840	$ 23,840
Disability Income(1)		$ 1,950,413
Life Insurance Benefits(2)		$ 400,000
Accrued Vacation Pay	$ 23,077	$ 23,077
John A. Hageman:		
Compensation		
Accrued Bonus (Incentive Plan)	$ 253,438	$ 253,438
Lump Sum Salary (12 months)		$ 290,000
Monthly Salary (18 months)	$ 435,000	
Benefits and Perquisites		
401(k) Savings Plans	$ 25,519	$ 25,519
Health and Welfare Benefits	$ 23,840	$ 23,840
Disability Income(1)		$ 1,483,289
Life Insurance Benefits(2)		$ 400,000
Accrued Vacation Pay	$ 66,923	$ 66,923

Table of Contents

	Voluntary Termination or Involuntary without Cause Termination On 12-31-06	Death or Disability On 12-31-06
Roger Krohn:		
Compensation		
Accrued Bonus (Incentive Plan)	$ 247,848	$ 247,848
Monthly Salary (12 months)	$ 280,000	
Benefits and Perquisites		
401(k) Savings Plans	$ 4,951	$ 4,951
Health and Welfare Benefits	$ 15,234	$ 15,234
Disability Income(1)		$ 1,410,827
Life Insurance Benefits(2)		$ 400,000
Accrued Vacation Pay		
David A. Martens:		
Compensation		
Accrued Bonus (Incentive Plan)	$ 251,062	$ 251,062
Monthly Salary (12 months)	$ 250,000	
Benefits and Perquisites		
401(k) Savings Plans	$ 324,288	$ 324,288
Health and Welfare Benefits	$ 15,234	$ 15,234
Disability Income(1)		$ 1,333,112
Life Insurance Benefits(2)		$ 400,000
Accrued Vacation Pay	$ 2,885	$ 2,885

(1) Reflects the maximum lump-sum present value of all future payments each named executive would be entitled to receive under the Company s disability program. Each named executive would be entitled to receive benefits until he reaches age 65.

(2) Reflects the maximum lump-sum amount of $200,000 payable to each named executive s beneficiaries upon his death plus the maximum lump-sum amount of $200,000 payable in the event of accidental death under the Company s life insurance program.

No payments are made under any employment agreement or severance agreement if an executive terminates his employment without good reason or we terminate his employment for cause .

With respect to the employment and severance agreements:

cause generally means (1) the commission of a felony or a crime of moral turpitude; (2) a willful and material act of dishonesty involving Metals USA; (3) a material non-curable breach of the executive s obligations under the agreement; (4) material breaches of Metals USA s policies or procedures; (5) any other willful misconduct which causes material harm to Metals USA or its business reputation; (6) a failure to cure a material breach of the executive s obligations under the agreement, the investor rights agreement among the stockholders of Metals USA Holdings and certain other agreements related to the executive s equity participation in Metals USA Holdings, within 30 days after written notice of such breach; or (7) breaches of any of the executive s representations contained in the agreement; and

good reason generally means (1) a reduction in the executive s annual base salary or bonus potential described in the agreement (but not including any diminution related to a broader compensation reduction that is not limited to any particular employee or executive); (2) a material diminution of the executive s responsibilities or, with respect to Mr. Gonçalves, prior to an initial public offering, the failure to re-elect him to the Board of Directors of Metals USA or Metals USA Holdings; (3) relocation of the executive s primary work place, as assigned to him by Metals USA, beyond a fifty mile radius; or (4) a material breach by the employer of the agreement.

Table of Contents

Director Compensation

The table below summarized the compensation paid by the Company to non-employee directors for the fiscal year ended December 31, 2006.

(a)(1)	(b) Fees Earned or Paid In Cash	(c) Stock Awards	(d) Option Awards (2)	(e) Non-Equity Incentive Plan Compensation	(f) Change in Pension Value and Non-Qualified Deferred Compensation Earnings	(g) All Other Compensation	(h) Total
Joshua J. Harris	$ 62,000		$ 44,263				$ 106,263
Marc E. Becker	77,875		44,263				122,138
Eric L. Press	64,000		44,263				108,263
M. Ali Rashid	87,875		44,263				132,138
John T. Baldwin	94,000		44,263				138,263

(1) C. Lourenço Gonçalves, the Company s Chairman of the Board and Chief Executive Officer, is not included in this table as he is an employee of the Company and thus receives no compensation for his services as a director. The compensation received by Mr. Gonçalves as an employee of the Company is shown in the Summary Compensation Table above.

(2) Reflects the dollar amount recognized for financial reporting purposes for the fiscal year ended December 31, 2006, in accordance with SFAS 123(R) of awards pursuant to Metals USA Holdings Amended and Restated 2005 Stock Incentive Plan. Assumptions used in the calculation of this amount for the fiscal year ended December 31, 2006 are included in Note 11 to our Consolidated Financial Statements. As of December 31, 2006, each Director had the following number of options outstanding: Joshua J. Harris: 40,000; Marc E. Becker: 40,000; M. Ali Rashid: 40,000; Eric L. Press: 40,000; John T. Baldwin: 40,000.

Compensation of Directors

We currently compensate our directors with an annual retainer of $50,000, paid quarterly in advance of each fiscal quarter of service. Each director also receives a fee of $2,000 per board meeting attended and $2,000 for each regularly scheduled committee meeting. The annual fees for the Audit Committee members are $7,500, and for the Chairman and member of any other Committee, the annual fees are $5,000 and $2,500, respectively. The Chairman of the Audit Committee receives an annual fee of $10,000. All reasonable out-of-pocket expenses are reimbursed upon submission of support documentation. In addition, each non-employee director of Metals USA received a grant of 40,000 non-qualified options under the 2005 Plan. Such options have a 10-year term, vest ratably over 5 years and have a strike price of $10.00. The exercise price was reduced to $8.22 per share in connection with a special dividend paid to Metals USA Holdings stockholders on May 12, 2006. The exercise price was reduced by an amount equal to the per share amount of the dividend. In connection with a special dividend paid to Metals USA Holdings stockholders on January 3, 2007, the exercise price was adjusted a second time and a cash payment was made to vested option holders, of which the combined amount approximated the per share amount of this dividend. Accordingly, the per share exercise price of the options granted on November 30, 2005, was decreased by $4.22 to $4.00. Additionally, the Company has accelerated the vesting of unvested stock options held by non-employee directors, other than Mr. Baldwin. In connection with the July 2007 dividend, each director received on his options a cash payment $9.25 per option, an amount equal to the per share amount of the dividend. Newly elected directors will receive the same fees as described above. In addition, upon election, each new director will be awarded 40,000 non-qualified options, with a 10-year term, 5-year vesting and with a strike price equal to the fair market value of the stock at the date of grant.

Compensation Committee Interlocks and Insider Participation

During 2006, our entire Board of Directions, excluding Mr. Gonçalves, performed the functions of a compensation committee. Other than Mr. Gonçalves, none of such directors has ever been one of our officers or

Table of Contents

employees. With the exception of those matters described below under Certain Relationships and Related Party Transactions pertaining to Mr. Gonçalves with respect to his employment agreement and the investor rights agreement described in that section, none of such directors during 2006 had any relationship that requires disclosure in this prospectus as a transaction with a related person. During 2006, none of our executive officers served as a member of the compensation committee of another entity, one of whose executive officers served on such Board of Directors, none of our executive officers served as a director of another entity, one of whose executive officers served on such Board of Directors, and none of our executive officers served as a member of the compensation committee of another entity, one of whose executive officers served as one of such directors.

Audit Committee of the Board of Directors

The Audit Committee of our Board of Directors consists of Messrs. Baldwin, Becker and Rashid (of whom Mr. Baldwin has been deemed independent pursuant to Rule 10A-3 of the Exchange Act by our Board of Directors and is chairman of the Audit Committee). Our Audit Committee recommends the firm to be appointed as independent accountants to audit financial statements and to perform services related to the audit, reviews the scope and results of the audit and with the independent accountants, reviews with management and the independent accountants our annual operating results, considers the adequacy of the internal accounting procedures, considers the effect of such procedures on the accountants independence and establishes policies for business values, ethics and employee relations. Mr. Baldwin is an Audit Committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K.

Code of Ethics

The Board has adopted a code of ethics as defined by the applicable rules of the SEC, and has been posted on our Internet website, http://www.metalsusa.com. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus, and you should not rely on any such information in making your decision whether to purchase our securities.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Metals USA Holdings owns 100% of the common stock of Flag Intermediate, which owns 100% of the common stock of Metals USA.

The following table sets forth information with respect to the ownership of Metals USA Holdings as of November 30, 2007 for:

- each person who owns beneficially more than a 5% equity interest in Metals USA Holdings;
- each member of our Board of Directors;
- each of our named executive officers; and
- all of our executive officers and directors as a group.

	Metals USA Holdings(1)	
Name and Address of Owner(2)	Number of Shares Beneficially Owned	Equity Interest
Apollo Management V, L.P.(3)	13,612,900	96.7%
C. Lourenço Gonçalves	556,446	3.9%
Robert C. McPherson, III	68,292	*
John A. Hageman	96,600	*
Roger Krohn	64,975	*
Joe Longo	21,625	*
Keith A. Koci	17,520	*
David A. Martens	18,289	*
Marc E. Becker	40,000	*
Joshua J. Harris	40,000	*
Eric L. Press	40,000	*
M. Ali Rashid	40,000	*
John T. Baldwin	16,000	*
All executive officers and directors as a group (12 persons)	1,019,747	7.2%

* Less than 1%

(1) The amounts and percentages of interests beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of such security, or investment power and includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person s ownership percentage, but not for purposes of computing any other person s percentage. Under these rules, more than one person may be deemed beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest. Except as otherwise indicated in these footnotes, each of the beneficial owners has, to our knowledge, sole voting and investment power with respect to the indicated ownership interests.

(2) Unless otherwise indicated, the address of each person listed is c/o Metals USA Holdings Corp., One Riverway, Suite 1100, Houston, TX 77056.

(3) Represents all equity interest of Metals USA Holdings held of record by affiliates of Apollo Management V, L.P. Apollo Management V, L.P. has the voting and investment power over the shares on behalf of Apollo. The general partner of Apollo Management V, L.P. is AIF V Management, Inc. Messrs. Leon Black and John Hannan are the principal executive officers and directors of AIF V Management, Inc., each of whom disclaim beneficial ownership of these shares, except to the extent of any pecuniary interest therein. Each of

Table of Contents

Messrs. Becker, Harris, Press and Rashid, who have relationships with Apollo, disclaim beneficial ownership of any shares of Metals USA Holdings that may be deemed beneficially owned by Apollo Management V, L.P., except to the extent of any pecuniary interest therein. Each of Apollo Management V, L.P. and its affiliated investment funds disclaims beneficial ownership of any such shares in which it does not have a pecuniary interest. The address of Messrs. Becker, Harris, Press and Rashid and Apollo Management V, L.P. is c/o Apollo Management, L.P., 9 West 57th Street, New York, New York 10019.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Management Agreements

In contemplation of the Merger, Messrs. Gonçalves, McPherson, Hageman, Krohn, Martens and Longo entered into certain agreements with Metals USA Holdings and Flag Acquisition. The terms of the employment agreements with Messrs. Gonçalves, McPherson and Hageman, and the terms of the severance agreements with Messrs. Krohn, Martens and Longo are similar to each other. The terms of those agreements are described under Management Management Agreements with Metals USA and Related Stock Option Grants from Metals USA Holdings. These agreements were negotiated between management and Metals USA and Metals USA believes that the agreements were on arm s-length terms.

Investors Rights Agreement

Metals USA Holdings and each of the management participants have entered into an investor rights agreement which provides for, among other things, a restriction on the transferability of each such management member s equity ownership in Metals USA Holdings, tag-along rights, come-along rights, piggyback registration rights, repurchase rights by Metals USA Holdings and Apollo in certain circumstances, and the grant of an irrevocable proxy to Apollo with respect to the voting rights associated with his respective ownership, and certain restrictions on each such person s ability to compete with or solicit our employees or customers. The investors rights agreement was negotiated among management, us and Apollo, and we believe it is on arm s-length terms.

Apollo Management Agreements

We and Metals USA have entered into a management agreement with Apollo on November 30, 2005, pursuant to which Apollo provides us with management services. Pursuant to such agreement, Apollo receives an annual management fee equal to $2.0 million, payable on March 15 of every year, starting on March 15, 2006. The management agreement will terminate on December 31, 2012, unless earlier terminated by Apollo. Apollo elected to waive $0.5 million of the annual management fee indefinitely, but reserved the right to revoke this waiver. Upon a termination of the management agreement prior to December 31, 2012, Apollo will be entitled to receive the present value of (a) $14.0 million, less (b) the aggregate amount of management fees that were paid to it under the agreement prior to such termination, and less (c) management fees waived. Finally, Apollo is entitled to receive a transaction fee in connection with certain subsequent financing, acquisition, disposition and change of control transactions with a value of $25 million or more, equal to 1% of the gross transaction value of any such transaction. Apollo waived the transaction fee in connection with the offering of the old notes pursuant to a waiver between Apollo and Metals USA Holdings dated as of June 20, 2007. The management agreement contains customary indemnification provisions in favor of Apollo, as well as expense reimbursement provisions with respect to expenses incurred by Apollo in connection with its performance of services thereunder. In addition, pursuant to a transaction fee agreement between us and Apollo dated as of November 30, 2005, we paid Apollo $6.0 million at the consummation of the Merger for various services performed by it and its affiliates in connection with the Transactions. As a result of the acquisition of Port City in May 2006 discussed in Note 2 of our Consolidated Financial Statements, Apollo was paid a transaction fee of $0.4 million. In addition, in connection with Metals USA Holdings issuance of the 2006 notes discussed in Note 17 of our Consolidated Financial Statements, Apollo was paid a transaction fee of $1.5 million. Apollo elected to waive transaction fees of $0.8 million and $3.0 million payable in connection with the June 2007 ABL facility amendment and the July 2007 issuance of the old notes, respectively. The terms and fees payable to Apollo under the management agreement and the transaction fee agreement were determined through arm s-length negotiations between Metals USA Holdings and Apollo, and reflect the understanding of Apollo and Metals USA Holdings of the fair value for such services, based in part on market conditions and what similarly situated companies have paid for similar services.

Table of Contents

Other Transactions

Roger L. Krohn (the father of Roger Krohn, one of our executive officers) is employed by us as a sales manager and received compensation of $162,323, $89,125 and $92,479 per year, during the fiscal years ended December 31, 2004, 2005 and 2006, respectively, and will receive a base salary of $75,000, in addition to a year-end incentive compensation bonus, for the fiscal year ended December 31, 2007. We rent the use of aircrafts that are owned by a company owned by Roger Krohn, one of our executive officers, currently at a rate of $475 or $900 per hour, depending on the aircraft used. During the fiscal years ended December 31, 2004, 2005 and 2006, we made payments for the use of such aircrafts in the amount of $43,383, $60,774 and $52,902, respectively. We believe that the rates paid for the use of such aircrafts are at least as favorable to us as those that could be obtained from an independent charter provider.

Related Party Transactions

Transactions with our directors, executive officers, principal stockholders or affiliates must be at terms that are no less favorable to us than those available from third parties and must be approved in advance by a majority of disinterested members of the Board of Directors.

Table of Contents

DESCRIPTION OF CERTAIN INDEBTEDNESS

Senior Secured Asset-Based Revolving Credit Facility

On December 1, 2005 Flag Intermediate and certain of its subsidiaries entered into the ABL facility arranged by Credit Suisse, as sole bookrunner and joint lead arranger, and Banc of America Securities LLC, as joint lead arranger. For a discussion on the recent amendment to the ABL facility, which, among other things, increased availability thereunder from $450.0 million to $525.0 million, see Recent Developments.

The ABL facility is available to us on a revolving basis during the period beginning on December 1, 2005 and ending on November 30, 2011. Substantially all of our subsidiaries are also borrowers under the ABL facility. The maximum availability under the ABL facility is based on eligible receivables and eligible inventory, subject to certain reserves, to be determined in accordance with the loan agreement. The commitments under the ABL facility are initially comprised of $415.0 million of Tranche A Commitments and $35.0 million of Tranche A-1 Commitments. While the Tranche A-1 Commitments are outstanding, the borrowing base is subject to greater advance rates than would otherwise be in effect. Subject to certain conditions, the Tranche A-1 Commitments may be reduced or terminated at any time. Subject to certain conditions, upon the reduction or termination of the Tranche A-1 Commitments, the Tranche A Commitments will be increased on a dollar-for-dollar basis in an amount equal to such reduction or termination. On June 1, 2006, the Tranche A-1 Commitments were automatically reduced to $25.0 million (with a corresponding increase in the Tranche A Commitments). A portion of the ABL facility is available for swingline loans and the issuance of letters of credit. Both the face amount of any outstanding letters of credit and any swingline loans will reduce availability under the ABL facility on a dollar-for-dollar basis.

The interest rates with respect to loans made utilizing the Tranche A Commitments are, at our option, (i) the higher of (a) the prime rate of Credit Suisse in effect at its principal office in New York City and (b) the federal funds effective rate plus 0.5%; in each case plus an applicable margin ranging between -0.25% and 0.50% as determined in accordance with the loan agreement or (ii) the rate (as adjusted) at which Eurodollar deposits for one, two, three, six or, if available, nine or twelve months, as selected by us, by reference to the British Bankers Association Interest Settlement Rates for deposits in dollars, plus an applicable margin ranging between 1.00% and 1.75% as determined in accordance with the loan and security agreement governing the ABL facility.

The interest rates with respect to loans utilizing the Tranche A-1 Commitments are, at our option, (i) the higher of (a) the prime rate of Credit Suisse in effect at its principal office in New York City and (b) the federal funds effective rate plus 0.5%; in each case plus an applicable margin of (1) initially, 1.75% and (2) after the first adjustment date under the ABL facility, 0.75% or (ii) the rate (as adjusted) at which Eurodollar deposits for one, two, three, six or, if available, nine or twelve months, as selected by us, by reference to the British Bankers Association Interest Settlement Rates for deposits in dollars, plus an applicable margin of (a) initially, 3.75% and (b) after the first adjustment date under the ABL facility, 2.75%.

Substantially all of our subsidiaries are defined as borrowers under such agreement. The obligations under the ABL facility are guaranteed by Flag Intermediate and certain of our future domestic subsidiaries and are secured (i) on a first-priority lien basis by our, the other borrowers and the guarantors accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto and (ii) on a second-priority lien basis by substantially all of our, the other borrowers and the guarantors other assets, subject to certain exceptions and permitted liens.

Covenants

The ABL facility contains customary representations, warranties and covenants for the type and nature of an asset-based senior secured revolving credit facility, including limitations on Flag Intermediate s, the other borrowers , or the guarantors ability to:

- incur or guarantee additional debt, subject to certain exceptions;

Table of Contents

- pay dividends, or make redemptions and repurchases, with respect to capital stock;
- create or incur certain liens;
- make certain loans or investments;
- make acquisitions or investments, engage in mergers, acquisitions, asset sales and sale lease-back transactions; and
- engage in certain transactions with affiliates.

Events of Default

The ABL facility contains events of default with respect to:

- default in payment of principal when due;
- default in the payment of interest, fees or other amounts after a specified grace period;
- material breach of the representations or warranties;
- default in the performance of specified covenants;
- failure to make any payment when due under any indebtedness with a principal amount in excess of a specified amount;
- certain bankruptcy events;
- certain ERISA violations;
- invalidity of certain security agreements or guarantees;
- material judgments; and
- a change of control (as defined in the ABL facility).

Industrial Revenue Bonds

As of December 31, 2006 and as of September 30, 2007, the aggregate principal amount outstanding under the IRB was $5.7 million for both periods. The IRB is payable on May 1, 2016 in one lump sum payment. The interest rate assessed on the IRB varies from month to month and was 4.02% and 3.98% at December 31, 2006 and September 30, 2007, respectively. The IRB is secured by a letter of credit under the ABL facility. The IRB places various restrictions on certain of our subsidiaries, including maintenance of required insurance coverage, maintenance of certain financial ratios, limits on capital expenditures and maintenance of tangible net worth and is supported by a letter of credit. We were in compliance with all of the covenants as of September 30, 2007.

11 1/8% Senior Secured Notes of Metals USA

On November 30, 2005, Flag Acquisition completed a private placement of $275.0 million aggregate principal amount of the Metals USA notes, and Metals USA subsequently assumed all liabilities of Flag Acquisition pursuant to the Metals USA notes. In September 2006, Metals USA exchanged $275.0 million aggregate principal amount of 11 1/8% senior secured notes due 2015, that were registered under the Securities Act for an equal principal amount of notes issued in connection with the Merger.

Interest on the Metals USA notes accrues at a rate of 11 1/8% per annum and is payable semi-annually in arrears on June 1 and December 1, commencing on June 1, 2006.

Table of Contents

Optional Redemption

Metals USA may redeem some or all of the Metals USA notes at any time on or after December 1, 2010 at a redemption price equal to 100% of the principal amount plus a premium declining ratably to par, plus accrued and unpaid interest and additional interest, if any, to the redemption date.

At any time prior to December 1, 2008, Metals USA may use the proceeds of certain equity offerings to redeem up to 35% of the aggregate principal amount of the Metals USA notes originally issued under the Metals USA indenture and all or a portion of any additional notes issued under such Metals USA indenture after the date of such Metals USA indenture, in each case at a redemption price equal to 111.13% of the principal amount, plus accrued and unpaid interest and additional interest, if any, to the redemption date.

In addition, at any time prior to December 1, 2010, Metals USA may redeem some or all of the Metals USA notes at a redemption price equal to 100% of the principal amount plus a make-whole premium, plus accrued and unpaid interest and additional interest, if any, to the redemption date.

Guarantees; Ranking; Collateral

The Metals USA notes are guaranteed on a secured basis by Flag Intermediate and certain of Metals USA s subsidiaries. The Metals USA notes and the related guarantees are secured obligations of Metals USA and the guarantors and rank pari passu in right of payment with all existing and future senior indebtedness of Metals USA, Flag Intermediate and the subsidiary guarantors, as the case may be, and are and will be secured by the collateral, as described below.

The Metals USA notes and the related guarantees are secured on a first-priority lien basis by substantially all of the assets (other than accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto) of Metals USA and the guarantors and on a second-priority lien basis by the accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto of Metals USA and the guarantors.

Covenants

The Metals USA indenture contains certain limitations and restrictions on Metals USA and certain of its subsidiaries ability to, among other things:

- incur additional indebtedness;
- issue preferred and disqualified stock;
- make certain investments;
- limit dividends or other payments or transfer of property by restricted subsidiaries to Metals USA;
- make asset sales;
- enter into certain types of transactions with affiliates;
- incur liens; and

sell all or substantially all of Metals USA s assets or merge with or into another company.

The Metals USA indenture restricts Metals USA s ability to pay dividends or make other distributions on its capital stock or repurchase or redeem its capital stock. Specifically, Metals USA may not make any such payments if a default under the Metals USA indenture has occurred and is continuing. In addition, the aggregate amount of such payments generally cannot exceed 50% of the cumulative consolidated net income of Metals USA and its subsidiaries since September 30, 2005 plus 100% of certain cash contributions to Metals USA s capital and amounts received from the sale of certain equity interests and investments. As a condition to making such payments, Metals USA must also be able to incur $1.00 of additional indebtedness under the FCCR test as defined in the Metals indenture. Notwithstanding the foregoing, Metals USA is permitted to pay dividends to any direct or indirect parent to allow such direct or indirect parent to pay dividends on its common stock, following the first public offering of such direct or indirect parent s common stock, in an amount up to 6.0% per annum of the amount contributed to Metals USA from the proceeds received by such direct or indirect parent in such offering. The Metals USA indenture also contains a provision allowing Metals USA to make up to an aggregate amount of $20.0 million of restricted payments generally, which it could use to pay dividends.

These covenants are subject to important exceptions and qualifications.

Events of Default

The Metals USA indenture contains certain events of default, including (subject, in some cases, to customary cure periods and materiality thresholds) defaults based on (1) the failure to make payments under the Metals USA indenture when due, (2) breach of covenants, (3) cross-defaults to other material indebtedness, (4) bankruptcy events and (5) material judgments.

DESCRIPTION OF THE NOTES

The old notes were, and the exchange notes will be, issued under an Indenture (the *Indenture*), dated as of the Issue Date, between Metals USA Holdings, Corp. and Wells Fargo Bank, N.A., as trustee (in such capacity, as the *Trustee*).

The following summary of certain provisions of the Indenture and the Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture and the Registration Rights Agreement, including the definitions of certain terms therein and those terms made a part of the Indenture by the TIA. We urge you to read the Indenture and the Registration Rights Agreement because they, not this description, define your rights as holders of the Notes. Copies of the Indenture and the Registration Rights Agreement have been filed as exhibits to the registration statement of which this prospectus forms a part. The terms of the exchange notes are identical to the terms of the old notes in all material respects, except for the elimination of some transfer restrictions, registration rights and additional interest provisions relating to the old notes. This exchange offer is being made to satisfy the Company s obligations under the registration rights agreement. See The Exchange Offer. The Trustee will authenticate and deliver exchange notes for original issue only in exchange for a like principal amount of old notes. Any old notes that remain outstanding after the consummation of this exchange offer, together with the exchange notes, will be treated as a single class of securities under the Indenture. Accordingly, all references in this section to specified percentages in aggregate principal amount of outstanding Notes shall be deemed to mean, at any time after this exchange offer is consummated, such percentage in aggregate principal amount of the old notes and the exchange notes outstanding. Capitalized terms used in this Description of the Notes section and not otherwise defined have the meanings set forth under Certain Definitions. As used in this Description of the Notes section, the *Company* refers only to Metals USA Holdings Corp., a Delaware corporation, and not to any of its Subsidiaries, *Metals USA* refers only to Metals USA, Inc., a Delaware corporation, and not to any of its Subsidiaries, and *we*, *us* and *our* refers the Company and its Subsidiaries.

Brief Description of the Notes

The old notes are and the exchange notes will be:

- senior unsecured obligations of the Company;
- equal in right of payment with all existing and future senior Indebtedness of the Company;
- senior in right of payment to any future Subordinated Indebtedness of the Company;
- structurally subordinated to all Indebtedness (including the Metals USA Notes and the ABL Facility) and other liabilities (including trade payables) of the Company s Subsidiaries; and
- are not guaranteed by any of the Company s Subsidiaries.

In addition, prior to the consummation of this exchange offer, the old notes are subject to registration with the SEC pursuant to the Registration Rights Agreement.

Principal, Maturity and Interest

The Company issued the old notes initially in an aggregate principal amount of $300.0 million. In addition, in connection with the payment of PIK Interest (as defined below) in respect of the Notes, the Company is entitled to, without the consent of the holders thereof (and without regard to any restrictions or limitations set forth under Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock), increase the outstanding principal amount of the Notes or issue additional Notes (the *PIK Notes*) under the Indenture on the same terms and conditions as the Notes offered hereby. Subject to the issuance of PIK Notes as described below, the Notes will be issued only in fully registered form, without coupons, in denominations of $2,000 and any integral multiple of $1,000 in excess of $2,000. No service charge

Table of Contents

will be made for any registration of transfer or exchange of the Notes, but in certain circumstances the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith. The Notes will mature on July 1, 2012. Subject to the Company s compliance with the covenants described under the subheading Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock, the Company is permitted to issue more Notes from time to time under the Indenture (the *Additional Notes*).

Interest on the Notes is payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing on October 1, 2007. The Company will make each interest payment to the holders of record of the Notes on the immediately preceding December 15, March 15, June 15 and September 15. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. The Company will pay interest on overdue principal at 1% per annum in excess of the rate described below and will pay interest on overdue installments of interest at such higher rate to the extent lawful.

Interest for the first four Interest Periods will be paid in cash. For any Interest Period after the initial four Interest Periods, the Company may at its option, elect to pay interest on the Notes (1) entirely in cash (*Cash Interest*); (2) entirely by increasing the principal amount of the outstanding Notes or by issuing additional PIK Notes (*PIK Interest*); or (3) on 50% of the outstanding principal amount of the Notes in cash and on 50% of the outstanding principal amount of the Notes by increasing the principal amount of the outstanding Notes or by issuing PIK Notes (*Partial PIK Interest*); PIK Interest and Partial PIK Interest are each referred to herein as the *PIK Payment.*

The Notes contain the word toggle in their title to highlight to investors that the Company has the ability to toggle, or switch back and forth, among paying interest in cash, in kind, or 50% in cash and 50% in kind, pursuant to the terms and conditions described in more detail above.

The Notes, the PIK Notes, if any, and the Additional Notes, if any, will be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this Description of the Notes, (1) references to the Notes include any Additional Notes and PIK Notes actually issued and (2) references to *principal amount* of Notes includes any increase in the principal amount of outstanding Notes (including PIK Notes) as a result of a PIK Payment.

The Company must elect the form of payment of interest (including additional interest, if any) with respect to each Interest Period by delivering a notice to the Trustee not later than the beginning of each Interest Period. The Trustee shall promptly deliver a corresponding notice to the holders. In the absence of such an election for any Interest Period, interest on the Notes shall be payable according to the election for the previous Interest Period. Notwithstanding anything to the contrary, the payment of accrued interest in connection with any redemption of Notes as described under Repurchase Offer upon Certain Equity Issuances, Optional Redemption, Change of Control or Certain Covenants Asse shall be made solely in cash.

Cash Interest on the Notes will accrue at a rate per annum, reset quarterly, equal to LIBOR plus the Spread, as determined by the calculation agent (the *Calculation Agent*), which shall initially be the Trustee, and be payable in cash. PIK Interest on the Notes will accrue at a rate per annum, reset quarterly, equal to LIBOR plus 0.75% plus the Spread, as determined by the Calculation Agent, and be payable (x) with respect to Notes represented by one or more global notes registered in the name of, or held by, DTC or its nominee on the relevant record date, by increasing the principal amount of the outstanding global Note by an amount equal to the amount of PIK Interest for the applicable Interest Period (rounded up to the nearest whole dollar) and (y) with respect to Notes represented by certificated notes, by issuing PIK Notes in certificated form in an aggregate principal amount equal to the amount of PIK Interest for the applicable Interest Period (rounded up to the nearest whole dollar), and the Trustee will, at the request of the Company, authenticate and deliver such PIK Notes in certificated form for original issuance to the holders on the relevant record date, as shown by the records of the register of holders. In the event that the Company elects to pay Partial PIK Interest for any Interest Period, each holder will be entitled to receive Cash Interest in respect of 50% of the principal amount of the Notes held by such holder on the relevant record date and PIK Interest in respect of 50% of the principal amount of the Notes

Table of Contents

held by such holder on the relevant record date. Following an increase in the principal amount of the outstanding global Notes as a result of a PIK Payment, the Notes will bear interest on such increased principal amount from and after the date of such PIK Payment. Any PIK Notes issued in certificated form will be dated as of the applicable interest payment date and will bear interest from and after such date. All Notes issued pursuant to a PIK Payment will mature on July 1, 2012 and will be governed by, and subject to the terms, provisions and conditions of, the Indenture and shall have the same rights and benefits as the Notes issued on the Issue Date. Any certificated PIK Notes will be issued with the description PIK on the face of such PIK Note.

The amount of interest for each day that the Notes are outstanding (the *Daily Interest Amount*) will be calculated by dividing the interest rate in effect for such day by 360 and multiplying the result by the principal amount of the Notes. The amount of interest to be paid on the Notes for each Interest Period will be calculated by adding the Daily Interest Amounts for each day in the Interest Period.

Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g. 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)) and all dollar amounts used resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

The interest rate on the Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application.

The Calculation Agent will, upon request of the holder of any Note, provide the interest rate then in effect with respect to the Notes. All calculations made by the Calculation Agent in the absence of manifest error will be conclusive for all purposes and binding on the Company and the holders of the Notes.

Prior to the commencement of this exchange offer, additional interest may accrue on the Notes in certain circumstances pursuant to the Registration Rights Agreement. See Registered Exchange Offer; Registration Rights. Any additional interest on the Notes will be payable in the same form of payment elected by the Company for the payment of interest with respect to the applicable Interest Period. All references in the Indenture, in any context, to any interest or other amount payable on or with respect to the Notes shall be deemed to include any interest payable pursuant to the Registration Rights Agreement.

Set forth below is a summary of certain of the defined terms used in the Indenture relating to the calculation of interest on the Notes.

Determination Date, with respect to an Interest Period, will be the second London Banking Day preceding the first day of the Interest Period.

Interest Period means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include September 30, 2007.

LIBOR, with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period beginning on the second London Banking Day after the Determination Date that appears on Telerate Page 3750 as of 11:00 a.m., London time, on the Determination Date. If Telerate Page 3750 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the London interbank market, as selected by the Calculation Agent, to provide such bank s offered quotation (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, to prime banks in the

London interbank market for deposits in a Representative Amount in U.S. dollars for a three-month period beginning on the second London Banking Date. If at least two such offered quotations are so provided the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in New York City, as selected by the Calculation Agent, to provide such bank s rate (expressed as a percentage per annum), as of approximately 11:00 a.m., New York City time, on such Determination Date, for loans in a Representative Amount in U.S. dollars to leading European banks for a three-month period beginning on the second London Banking Day after the Determination Date. If at least two such rates are so provided, then the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

London Banking Day is any day in which dealings in United States dollars are transacted or, with respect to any future date, are expected to be transacted in the London interbank market.

Representative Amount means a principal amount of not less than U.S. $1.0 million for a single transaction in the relevant market at the relevant time.

Spread means 6.00%, plus for each Interest Period commencing (1) on or after the first anniversary of the Issue Date and prior to the second anniversary of the Issue Date, 0.25%, (2) on or after the second anniversary of the Issue Date and prior to the third anniversary of the Issue Date, 0.50%, and (3) on or after the third anniversary of the Issue Date, 0.75%.

Telerate Page 3750 means the display designated as Page 3750 on the Moneyline Telerate service (or such other page as may replace Page 3750 on that service).

Optional Redemption

On or after January 15, 2008, the Company may redeem the Notes at its option, in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days prior notice mailed by first-class mail to each holder s registered address, at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest and additional interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on January 15th of the years set forth below:

Period	Redemption Price
2008	102.0%
2009	101.0%
2010 and thereafter	100.0%

Selection

In the case of any partial redemption of the Notes, selection of the Notes for redemption will be made by the Trustee on a pro-rata basis to the extent practicable; *provided*, *however*, that no Notes of $2,000 or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption so long as the Company has deposited with the Paying Agent funds sufficient to pay the principal of, plus accrued and unpaid interest and additional interest (if any) on, the Notes to be redeemed. Notices of redemption may not be conditional.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Company is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Company may be required to offer to purchase Notes as described under the captions Change of Control, Certain Covenants Asset Sales and Repurchase Offer upon Certain Equity Issuances. The Company may at any time and from time to time purchase Notes in the open market or otherwise.

Ranking

The Company is a holding company and does not have any material assets or operations other than ownership of the Capital Stock of Flag Intermediate. Flag Intermediate is also a holding company and does not have any material assets or operations other than ownership of the Capital Stock of Metals USA. All of the Company s operations are conducted through its Subsidiaries. Claims of creditors of such Subsidiaries, including trade creditors, and claims of preferred stockholders (if any) of such Subsidiaries generally will have priority with respect to the assets and earnings of such Subsidiaries over the claims of the Company s creditors, including holders of the Notes. The Notes, therefore, are structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of our Subsidiaries.

As of September 30, 2007,

(1) The Company had $291.4 million of senior Indebtedness (consisting solely of the Notes, which were issued at a price of $291.0 million with an initial aggregate principal amount of $300.0 million) outstanding; and

(2) The Company s Subsidiaries had approximately $818.4 million in total liabilities (excluding unused commitments).

Although the Indenture contains limitations on the amount of additional Pari Passu Indebtedness that the Company may incur, under certain circumstances the amount of such Pari Passu Indebtedness could be substantial. See Certain Covenants Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock. Moreover, the Indenture does not impose any limitation on the incurrence by such Restricted Subsidiaries of liabilities that are not considered Indebtedness under the Indenture. See Risk Factors.

Registered Exchange Offer; Registration Rights

The following description is a summary of the material provisions of the Registration Rights Agreement. It does not restate that agreement in its entirety. We urge you to read the Registration Rights Agreement in its entirety because it, and not this description, defines your registration rights prior to consummation of this exchange offer as holders of the Notes.

Pursuant to the Registration Rights Agreement, the Company agreed to file with the SEC the Exchange Offer Registration Statement (as defined in the Registration Rights Agreement) on the appropriate form under the Securities Act with respect to the Exchange Notes (as defined below). Upon the effectiveness of the Exchange Offer Registration Statement, the Company will offer to the holders of Transfer Restricted Securities pursuant to the Exchange Offer (as defined in the Registration Rights Agreement) who are able to make certain representations the opportunity to exchange their Transfer Restricted Securities for the Exchange Notes.

The Company agreed pursuant to the Registration Rights Agreement that it will, subject to certain exceptions,

(1) prepare and use commercially reasonable efforts to file a registration statement (the *Exchange Offer Registration Statement*) with the SEC with respect to a registered offer (the *Registered Exchange Offer*) to exchange the Notes for new Notes of the Company (the *Exchange Notes*) having terms substantially identical in all material respects to the Notes being exchanged (except that the Exchange Notes will not contain terms with respect to transfer restrictions);

Table of Contents

(2) use commercially reasonable efforts to cause the Exchange Offer Registration Statement to be declared effective under the Securities Act;

(3) as soon as practicable after the effectiveness of the Exchange Offer Registration Statement (the *Effectiveness Date*), offer the Exchange Notes in exchange for surrender of the Notes; and

(4) keep the Registered Exchange Offer open for not less than 20 business days (or longer if required by applicable law) after the date notice of the Registered Exchange Offer is mailed to the holders of the Notes.

For each Note validly tendered to the Company and not withdrawn pursuant to the Registered Exchange Offer, the Company will issue to the holder of such Note an Exchange Note having a principal amount equal to that of the surrendered Note. Interest on each Exchange Note will accrue from the last interest payment date on which interest was paid on the Note surrendered in exchange therefor, or, if no interest has been paid on such Note, from the Issue Date.

Under existing SEC interpretations, the Exchange Notes will be freely transferable by holders other than our affiliates after the Registered Exchange Offer without further registration under the Securities Act if the holder of the Exchange Notes represents to us in the Registered Exchange Offer that it is acquiring the Exchange Notes in the ordinary course of its business, that it has no arrangement or understanding with any person to participate in the distribution of the Exchange Notes and that it is not an affiliate of the Company, as such terms are interpreted by the SEC; *provided*, *however*, that broker dealers (*Participating Broker Dealers*) receiving Exchange Notes in the Registered Exchange Offer will have a prospectus delivery requirement with respect to resales of such Exchange Notes. The SEC has taken the position that Participating Broker Dealers may fulfill their prospectus delivery requirements with respect to Exchange Notes (other than a resale of an unsold allotment from the original sale of the Notes) with the prospectus contained in the Exchange Offer Registration Statement.

Under the Registration Rights Agreement, the Company is required to allow Participating Broker Dealers and other persons, if any, with similar prospectus delivery requirements to use the prospectus contained in the Exchange Offer Registration Statement in connection with the resale of such Exchange Notes for a period of not less than 180 days after the consummation of the Registered Exchange Offer (or such shorter period during which Participating Broker Dealers are required by law to deliver such prospectus).

A Holder of Notes (other than certain specified holders) who wishes to exchange such Notes for Exchange Notes in the Registered Exchange Offer will be required to represent that any Exchange Notes to be received by it will be acquired in the ordinary course of its business and that at the time of the commencement of the Registered Exchange Offer it has no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Notes and that it is not an affiliate of the Company, as defined in Rule 405 of the Securities Act, or if it is an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

In the event that with respect to the Notes:

(1) applicable interpretations of the staff of the SEC do not permit us to effect such a Registered Exchange Offer;

(2) for any other reason we do not consummate the Registered Exchange Offer within 330 days of the Issue Date;

(3) an Initial Purchaser shall notify us on or before the 60th day following consummation of the Registered Exchange Offer that Notes held by it are not eligible to be exchanged for Exchange Notes in the Registered Exchange Offer; or

Table of Contents

(4) certain holders are prohibited by law or SEC policy from participating in the Registered Exchange Offer or may not resell the Exchange Notes acquired by them in the Registered Exchange Offer to the public without delivering a prospectus and such holders notify us in writing on or before the 60th day following consummation of the Registered Exchange Offer,

then the Company will with respect to the Notes, subject to certain exceptions,

(i) file a shelf registration statement covering resales of the Notes or the Exchange Notes, as the case may be (the *Shelf Registration Statement*);

(ii)(A) in the case of clause (1) above, use commercially reasonable efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act on or prior to the 330th day after the Issue Date and (B) in the case of clause (2), (3) or (4) above, use commercially reasonable efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act within 60 days after the date on which the obligation to file the Shelf Registration Statement arose (provided that the Company shall not be required to cause the Shelf Registration to be declared effective under the Securities Act earlier than the 330th day after the Issue Date); and

(iii) keep the Shelf Registration Statement effective until the earliest of (A) the time when the Notes covered by the Shelf Registration Statement can be sold pursuant to Rule 144 without any limitations under clauses (c), (e), (f) and (h) of Rule 144, (B) two years from the Issue Date and (C) the date on which all Notes registered thereunder are disposed of in accordance therewith.

The Company will, in the event a Shelf Registration Statement is filed, among other things, provide to each holder for whom such Shelf Registration Statement was filed copies of the prospectus which is a part of the Shelf Registration Statement, notify each such holder when the Shelf Registration Statement has become effective and take certain other actions as are required to permit unrestricted resales of the Notes or the Exchange Notes, as the case may be. A holder selling such Notes or Exchange Notes pursuant to the Shelf Registration Statement generally would be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement that are applicable to such holder (including certain indemnification obligations).

The Company may require each holder requesting to be named as a selling security holder to furnish to us such information regarding the holder and the distribution of the Notes or Exchange Notes by the holder as the Company may from time to time reasonably require for the inclusion of the holder in the Shelf Registration Statement, including requiring the holder to properly complete and execute such selling security holder notice and questionnaires, and any amendments or supplements thereto, as we may reasonably deem necessary or appropr