JORGENSEN EARLE M CO /DE/
Form S-1/A
April 14, 2005
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As filed with the Securities and Exchange Commission on April 14, 2005

Registration No. 333-119434

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 3 TO

FORM S-1

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

EARLE M. JORGENSEN COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**5051**	**95-0886610**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code No.)**	**(I.R.S. Employer Identification No.)**

10650 Alameda Street, Lynwood, California 90262, (323) 567-1122

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

WILLIAM S. JOHNSON

Vice President, Chief Financial Officer and Secretary

10650 Alameda Street, Lynwood, California 90262, (323) 567-1122

(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 sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, 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 earlier effective registration statement for the same offering: ¨.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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: ¨.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: ¨.

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 the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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The information in this preliminary 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.

Subject to completion. Dated April 14, 2005

20,000,000 Shares

Earle M. Jorgensen Company

Common Stock

This is an initial public offering of shares of common stock of Earle M. Jorgensen Company. All of the shares of common stock are being sold by the company.

Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between $11.00 and $13.00. Our common stock has been approved for listing on The New York Stock Exchange under the symbol JOR.

To the extent that the underwriters sell more than 20,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 3,000,000 shares from us at the initial public offering price less the underwriting discount.

Investing in our common stock involves risks. See Risk Factors on page 12.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Earle M. Jorgensen Company

Per Share	$	$	$
Total	$	$	$

The underwriters expect to deliver the shares against payment in New York, New York on , 2005.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston **Goldman, Sachs & Co.**

Citigroup

ABN AMRO Rothschild LLC

William Blair & Company

CIBC World Markets

The date of this prospectus is , 2005.

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You should rely only on the information contained in this document. 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.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

Until , 2005 (the 25th day after commencement of this offering), all dealers that buy, sell or trade in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

This prospectus includes market share and industry data that we have obtained from internal company surveys, market research, consultant surveys, publicly available information and various industry publications. Industry surveys, publications and consultant surveys generally state

that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of such information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal company surveys, industry forecasts and market research, which we believe to be reliable based upon management s knowledge of the industry, have not been verified by any independent sources. Except where otherwise noted, statements regarding our position relative to our competitors or as to market share refer to recently available data.

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the Risk Factors section and our consolidated financial statements and the notes to those financial statements, before making an investment decision. In this prospectus, unless the context requires otherwise, (1) the terms EMJ, Earle M. Jorgensen, we, us and our refer to Earle M. Jorgensen Company and its subsidiaries, and (2) the term Holding refers to Earle M. Jorgensen Holding Company, Inc. EBITDA is defined and discussed in footnote 7 under the heading Summary Consolidated Financial and Other Data. Our fiscal year ends March 31 of each applicable year.

Earle M. Jorgensen Company

Overview

We are a leading distributor of metal bar and tubular products used by North American manufacturing companies and have been in business for over 80 years. We purchase over 25,000 different metal products in large quantities from primary producers, including a broad mix of carbon, alloy and stainless steel and aluminum bar, tubular and plate products. We sell these metal products in smaller quantities to over 35,000 customers spanning various industries, including machine tools, industrial equipment, transportation, fluid power, oil, gas and energy, fabricated metal, and construction and agricultural equipment. We distribute our broad range of metal products and provide our customers value-added metal processing and inventory management services from our distribution network of 35 strategically located service and processing centers in the United States and Canada.

Our metal processing services consist of cutting to length, burning, sawing, honing, shearing, grinding, polishing and performing other similar services on most of the metal products we sell, all to customer specifications. As part of our inventory management services, we schedule deliveries in the quantities and at the times required by just-in-time manufacturing processes employed by a growing number of leading manufacturing companies and provide our customers with an on-time product delivery guarantee.

In the 12 months ended December 31, 2004, we had revenues of $1,474.7 million, net income of $62.9 million and EBITDA of $139.9 million. During fiscal 2004 and the first nine months of fiscal 2005, we handled approximately 7,900 and 8,100 sales transactions per business day, respectively, at an average sale price of approximately $520 and $750 per transaction, respectively.

During the past several years, we have focused our management efforts on automating and reconfiguring our facilities to increase workflow, enhancing our information management systems to improve customer service, and streamlining our management structure, reducing headcount and decreasing corporate overhead to reduce costs. We believe that our efficient operating structure enables us to achieve gross profit per employee levels that are considerably higher than those of our major competitors. From the end of fiscal 1998 to December 31, 2004, we reduced our total headcount by approximately 23% to 1,693 employees. Comparing fiscal 1998 to the 12 months ended December 31, 2004, we increased our tons shipped per employee by approximately 89% to 467 in the 12 months ended December 31, 2004 and EBITDA per employee by approximately 190% to $84,824 in the 12 months ended December 31, 2004, based on the average number of employees in the applicable period.

Industry Overview

Metals service centers function as key intermediaries between the metals producers that desire to sell large volumes to few customers and the end-users that need specific products in smaller quantities. The metals

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distribution industry is fragmented, with approximately 1,300 participants throughout North America, the largest of which represented less than 5% of estimated industry sales in North America of $50 billion in 2003. The industry includes both general-line distributors, like us, that handle a wide range of metal products and specialty distributors that specialize in particular categories of metal products. The bar and tubular products that are our core products tend to be sold in smaller quantities, with shorter lead times and at higher gross margins than flat products, such as sheet and plate. We believe that a low-cost position coupled with excellent customer service, including breadth and availability of product offerings, timely and reliable delivery and responsiveness to customer needs, are the critical success factors that differentiate between various service centers. For example, metals end-users are increasingly moving to lean manufacturing models that require metal products to be delivered to them on an as-needed basis. This has increased these end-users need for service centers that can meet their delivery requirements by maintaining an extensive inventory of available metal products.

Competitive Strengths

Excellent Product Selection and Service. We are a recognized leader in the metals service center industry, with an excellent reputation for quality and service built over our 80 years of operation. We have an extensive inventory of core products, including one of the most extensive lines of bar and tubular products in North America. Over the last several years, we have further enhanced our reputation by implementing a program for our customers in which we guarantee on-time delivery of our products or they are free. This program, which we believe is unique among our major competitors in North America, has been very successful, with on-time performance of approximately 99% since its inception in 1999. Our broad network of service and processing centers and our proprietary information management systems have been critical to our ability to guarantee our service.

Excellent Supplier Relationships. We believe we are one of the largest purchasers of steel bars and tubing in North America and one of the leading distribution customers in our core products for each of our major suppliers. These supplier relationships enable us to better meet our customers demands for metals during periods of tight supply, such as the one our industry is currently experiencing.

Broad Network of Strategically Located Facilities and Diverse Customer Base. Our 35 service and processing centers are strategically located throughout North America, generally within one day s delivery time to almost all U.S. manufacturing centers. Our broad service network enables us to provide services to national customers with multiple locations, as well as to smaller single-site customers. We serve more than 35,000 customers across a broad range of industries, with no single customer accounting for more than 2% of our revenues in fiscal 2004 or the first nine months of fiscal 2005. Our ten largest customers represented approximately 10% of our revenues in fiscal 2004, and the average length of these customer relationships was approximately 14 years.

Focus on Information Management Systems. Through our proprietary information management systems, we track and allocate inventory among all of our locations, maintain high levels of customer service through better order and product reference data and monitor our operating results. We track our entire inventory on a real-time basis through our information management systems, which allows our salespeople and operating employees to have visibility into in-process orders and enables us to meet our on-time delivery guarantee.

Warehouse Automation. We completed the installation of an automated inventory storage and retrieval system in our largest facility, which is located in Chicago, in the third quarter of fiscal 2004. This fully operational system, which we refer to as the Kasto system, allows us to streamline order filling and improve employee productivity, resulting in reduced material handling and processing costs and increased order fill rates. For example, warehouse cost per ton at our Chicago facility, which services regional customers and also supplies products to all of our other service centers, has decreased approximately 17.1% from $96.33 in the second

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quarter of fiscal 2004, the quarter immediately preceding the completion of the automated warehouse system s installation, to $79.86 in the first nine months of fiscal 2005.

Experienced Management Team. Our senior management team has an average of 29 years of industry experience. Our chief executive officer, Maurice S. Nelson, Jr., has spent over 42 years in the metals industry with us and at Inland Steel Company and Alcoa Inc. Mr. Nelson was named the Service Center Executive of the Year for 2001 by Metal Center News and served as chairman of the Metal Service Center Institute during the 2002-2003 term.

Operating and Growth Strategy

Focus on Core Products. We believe our purchasing volumes for our core bar and tubular products enable us to achieve among the lowest available product acquisition costs for these products among metals service centers in North America. We believe we can grow our market share and increase profitability by continuing to focus our marketing efforts on our core products and capitalizing on our procurement advantage. We intend to leverage our strength in our core products to enable us to establish competitive advantages in our local markets as well as to allow us to successfully compete for larger national programs with customers.

Focus on Timely and Reliable Delivery and Value-Added Services. We believe our guarantee to provide on-time delivery service will continue to differentiate us from our competition and enable us to increase our market share. In addition, we seek to increase our margins and grow our market share by complementing our metal product sales efforts with value-added services, such as inventory management and processing activities, including our special stocking programs and cutting and honing operations.

Expand Satellite Operations. We believe a key aspect of serving our current customers and acquiring new customers is having a physical presence in markets that require our products and services. Accordingly, we have been implementing a strategy to target those geographic areas where we can justify opening a satellite location. These locations are managed locally by warehouse and delivery personnel, stock a limited inventory of core products and require minimal initial and maintenance capital expenditures, resulting in a low-cost opportunity to serve select markets. Each satellite operation is supported by inventory, inside salespeople and the general management of one of our larger service centers. During the past 18 months, we have opened satellite facilities in Orlando, Florida and northern Ontario and have recently relocated our successful Chattanooga, Tennessee satellite facility to a larger new satellite facility in Birmingham, Alabama. We continue to evaluate additional satellite locations and expect to open a satellite facility in Spokane, Washington in May 2005.

Maintain Technology Leadership. We have made and will continue to make investments in technology in order to differentiate our capabilities from those of our competitors. We intend to continue to enhance our information management systems by upgrading software and hardware to improve the connectivity, stability and reliability of these systems, which will help us continue to improve our customer service. To further improve our productivity and efficiency, we are expanding the automated warehouse system in our Chicago facility and also evaluating the implementation of the system in our other facilities.

General Corporate Information

We were formed on May 3, 1990, when affiliates of Kelso & Company, L.P., a private investment firm, acquired control of and combined two leading metals distributors, Earle M. Jorgensen Company (founded in 1921) and Kilsby-Roberts Holding Co. (successor to C.A. Roberts

Company, founded in 1915). In connection with the combination of these two companies, we became a wholly owned subsidiary of Earle M. Jorgensen Holding Company, Inc., or Holding. Holding has no operations and no significant assets other than our common stock. After the consummation of the financial restructuring transaction described below under Transaction Related to this Offering, Holding will cease to exist and the noteholder and stockholders of Holding will become stockholders of EMJ. However, we have included the consolidated financial statements of Holding in

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this prospectus because the financial restructuring will be accounted for in a manner similar to a pooling-of-interests because it constitutes a transfer of assets and exchange of shares between entities, EMJ and Holding, under common control and, therefore, the financial position and results of operations of Holding will be included in our consolidated financial statements on a historical basis.

Our principal executive offices are located at 10650 Alameda Street, Lynwood, California 90262, and our telephone number there is (323) 567-1122. Our web site is located at www.emjmetals.com. The information on our web site is not a part of this prospectus.

Transaction Related to this Offering

This offering is related to a financial restructuring transaction, which we refer to as the financial restructuring, pursuant to which Holding will be merged into a wholly owned subsidiary of EMJ, resulting in the following:

- the exchange of all of Holding s senior notes, or the Holding notes, including interest accrued through September 29, 2004, for cash and shares of EMJ common stock;
- the conversion of all outstanding shares of Holding series A preferred stock, including dividends accrued through September 29, 2004, into cash and shares of EMJ common stock;
- the conversion of all outstanding shares of Holding series B preferred stock (all accumulated dividends have been paid in-kind through September 29, 2004) into cash and shares of EMJ common stock;
- the conversion of all outstanding shares of Holding common stock into an equal number of shares of EMJ common stock;
- the exchange of all outstanding warrants to purchase shares of Holding common stock for shares of EMJ common stock; and
- our assumption of the obligations of Holding to issue 3,053,668 shares of Holding common stock under all outstanding Holding stock options. These options will become exercisable for an equal number of shares of EMJ common stock at the same exercise prices and on the same terms and conditions as provided in the Holding stock option agreements and stock option plan.

Completion of the financial restructuring is conditioned upon, among other things, (1) consummation of this offering at an initial public offering price that is not less than $7.00 per share and (2) the offering resulting in at least $100 million of net proceeds to EMJ. The consummation of this offering is conditioned upon and will occur on the same day as the completion of the financial restructuring.

Using an exchange or conversion ratio based on a value of $12.00 for each share of EMJ common stock, which is the assumed initial public offering price per share based on the mid-point of the range shown on the cover of this prospectus, and assuming net proceeds of this offering of $223,800,000 (before taking into account estimated offering expenses payable by us, as set forth under Use of Proceeds), we will issue the following amounts of EMJ common stock and pay the following amounts of cash to holders of Holding notes, Holding series A preferred stock and Holding series B preferred stock upon consummation of the financial restructuring:

6,980,351 shares of EMJ common stock and $173.3 million in cash based on the $257.1 million aggregate amount of Holding notes outstanding as of the date of this prospectus (including interest accrued through September 29, 2004);

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1,276,733 shares of EMJ common stock and $31.7 million in cash based on 57,573 outstanding shares of Holding series A preferred stock valued at approximately $47.0 million as of the date of this prospectus (including dividends accrued through September 29, 2004);

757,091 shares of EMJ common stock and $18.8 million in cash based on 27,882 outstanding shares of Holding series B preferred stock valued at approximately $27.9 million as of the date of this prospectus (all accumulated dividends have been paid in-kind through September 29, 2004);

11,197,122 shares of EMJ common stock based on 11,197,122 shares of Holding common stock outstanding as of the date of this prospectus; and

2,935,467 shares of EMJ common stock based on warrants to purchase 2,937,915 shares of Holding common stock outstanding as of the date of this prospectus.

If the initial public offering price per share is higher than $12.00 or the net proceeds of this offering, before taking into account estimated offering expenses payable by us, are greater than $223,800,000, we will issue fewer shares of our common stock to the Holding stockholders and noteholder upon consummation of the financial restructuring. If the initial public offering price per share is less than $12.00 or the net proceeds of this offering, before taking into account estimated offering expenses payable by us, are less than $223,800,000, we will issue more shares of our common stock to the Holding stockholders and noteholder upon consummation of the financial restructuring. If the offering price per share is $7.00 and the net proceeds of this offering are $100 million, which are the minimum conditions to closing the financial restructuring, we would issue 47,269,426 shares of EMJ common stock to the Holding stockholders and noteholder upon consummation of the financial restructuring.

All of the shares of EMJ common stock issued in connection with the financial restructuring have been registered under the Securities Act on a registration statement on Form S-4 filed by EMJ. This means the shares issued pursuant to the financial restructuring will be freely tradable without restriction or further registration under the Securities Act, unless held by an affiliate as that term is defined in Rule 144 under the Securities Act or subject to the terms of the lock-up agreements, transfer restriction agreements or restrictions on transfer contained in the stock bonus plan described under the heading Shares Eligible for Future Sale.

To effect the financial restructuring, we have entered into (1) an agreement and plan of merger and reorganization, as amended, with Holding and a wholly owned subsidiary of EMJ and (2) an exchange agreement with Holding and Kelso Investment Associates, L.P., or KIA I, Kelso Equity Partners II, L.P., or KEP II, KIA III-Earle M. Jorgensen, L.P., or KIA III-EMJ, and Kelso Investment Associates IV, L.P., or KIA IV (collectively known as the Kelso funds). The Holding stockholders approved and adopted the merger agreement and approved the financial restructuring at a special meeting of stockholders held on April 13, 2005.

As of the date of this prospectus, the Kelso funds and other Kelso affiliates, including one of our directors, hold 8,259,799 shares of Holding common stock, which represents 73.8% of the issued and outstanding shares of Holding common stock, and 24,519 shares of Holding series A preferred stock, which represents 42.6% of the issued and outstanding shares of Holding series A preferred stock. Pursuant to the exchange agreement, the Kelso funds voted all of the Holding capital stock owned by them in favor of the merger agreement and the financial restructuring. As of the date of this prospectus, KIA IV also holds approximately $257.1 million of the Holding notes (including accrued but unpaid interest) and warrants to purchase 2,937,915 shares of Holding common stock, which represent all of the outstanding Holding notes and all of the outstanding Holding warrants. Upon consummation of the financial restructuring and this offering, the Kelso funds and other Kelso affiliates will own 18,719,350 shares of our common stock, representing 43.4% of our issued and outstanding common stock, and receive $186,804,677 in cash, assuming an initial public offering price of $12.00 per share, the mid-point of the range shown on the cover of this prospectus, and net proceeds of this offering of $223,800,000 (before taking into account estimated offering expenses payable by us, as set forth under Use of Proceeds).

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In connection with the consummation of the financial restructuring and this public offering, we (1) have agreed to contribute up to 2,461,547 shares of our common stock to our stock bonus plan and pay cash bonuses of $1,056,465 in the aggregate to participants who are no longer employed by us in connection with the amended United States Department of Labor consent order for our stock bonus plan that was entered by the court on January 3, 2005 and (2) have committed to pay a taxable public offering bonus to our employees on the closing date who are also participants in our stock bonus plan in an aggregate amount of $8.5 million, as described under the headings Business Legal Proceedings U.S. Department of Labor and Management Public Offering Bonus Plan.

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The Offering

Common stock offered by us	20,000,000 shares
Common stock to be outstanding after this offering	43,146,764 shares
Use of proceeds	We intend to use the net proceeds from this offering to pay the cash portion of the consideration for the Holding notes, the Holding series A preferred stock and the Holding series B preferred stock.
Dividend policy	We do not anticipate paying cash dividends on our common stock in the foreseeable future.
Proposed New York Stock Exchange symbol	JOR
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors that you should carefully consider before investing in our common stock.

The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of the date of this prospectus. This number and, unless otherwise indicated, the information in this prospectus:

- excludes 3,053,668 shares of common stock issuable upon the exercise of stock options outstanding under the Holding stock option plan that will become exercisable for our common stock upon consummation of the financial restructuring, at a weighted average exercise price of $3.35 per share;
- excludes 2,157,338 shares of common stock reserved and available for issuance under our stock incentive plan as of the date of this prospectus, which equals 5% of the aggregate number of shares of our common stock that will be outstanding upon completion of the financial restructuring and this offering and which includes the 50,000 shares issuable upon exercise of options to be granted to certain of our non-officer directors on the date of this prospectus;
- reflects the exchange of the Holding notes for 6,980,351 shares of common stock and cash upon consummation of the financial restructuring;
- reflects the conversion of the Holding series A preferred stock into 1,276,733 shares of common stock and cash upon consummation of the financial restructuring;
- reflects the conversion of the Holding series B preferred stock into 757,091 shares of common stock and cash upon consummation of the financial restructuring;

reflects the conversion of the Holding common stock into 11,197,122 shares of common stock upon consummation of the financial restructuring;

reflects the exchange of the Holding warrants for 2,935,467 shares of common stock upon consummation of the financial restructuring;

assumes, for purposes of determining the number of shares of common stock issuable upon consummation of the financial restructuring as set forth above, an initial public offering price of $12.00 per share, the mid-point of the range shown on the cover of this prospectus, and net cash proceeds

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of $223,800,000 in the aggregate (before taking into account estimated expenses payable by us, as set forth under Use of Proceeds) being paid to the the holders of the Holding notes, the Holding series A preferred stock and the Holding series B preferred stock;

does not reflect the 2,461,547 shares of common stock reserved for issuance to our stock bonus plan pursuant to our obligation to make a special contribution to the stock bonus plan in connection with the amended United States Department of Labor consent order entered on January 3, 2005, as described under Business Legal Proceedings U.S. Department of Labor; and

assumes that the underwriters do not exercise their over-allotment option.

In the event that the underwriters over-allotment is not exercised in full upon closing of this offering, up to an aggregate of 396,227, 234,959 and 2,166,314 shares of common stock will be withheld from the holders of the Holding series A preferred stock, Holding series B preferred stock and Holding notes, respectively, until the earlier of (1) the exercise in full of the over-allotment and (2) the expiration of the 30 day period during which the over-allotment may be exercised. If the over-allotment is exercised in full during this period, each holder of the Holding series A preferred stock, Holding series B preferred stock and Holding notes, in lieu of receiving shares of common stock, will be paid $12.00 in cash per share of common stock it otherwise would have received. If the over-allotment is not exercised during this period or is exercised in part, the appropriate portion of common stock will be delivered to such holders promptly after the expiration of the 30 day period during which the over-allotment option may be exercised if they have returned their transmittal letter to the exchange agent.

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Summary Consolidated Financial and Other Data

The following table presents our summary consolidated financial and other data for the periods and as of the date presented below. We derived the data for the fiscal years ended March 31, 2002, 2003 and 2004 from our audited consolidated financial statements for those periods that are included in this prospectus. We derived the data for the fiscal years ended March 31, 2000 and 2001 from our audited consolidated financial statements for those periods that are not included in this prospectus. We derived the data for the nine months ended January 1, 2004 and December 31, 2004 and the data as of December 31, 2004 from our unaudited consolidated financial statements for those periods and as of that date that are included in this prospectus and, in the opinion of management, reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of our results of operations and financial position for those periods and as of that date. Results for the nine months ended December 31, 2004 are not necessarily indicative of results for the full fiscal year. We derived the data for the 12 months ended December 31, 2004 from our audited consolidated financial statements for the fiscal year ended March 31, 2004 and our unaudited consolidated financial statements for the nine months ended January 1, 2004 and December 31, 2004 that are included in this prospectus. You should read the following information along with Selected Consolidated Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes, each of which is included elsewhere in this prospectus.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
	(dollars in thousands, except per share data)							
Statement of Operations Data:						(unaudited)		(unaudited)
Revenues	$ 938,252	$ 1,059,681	$ 895,058	$ 919,927	$ 1,040,367	$ 718,301	$ 1,152,589	$ 1,474,655
Costs of sales	662,803	767,263	641,991	658,562	754,266	518,394	828,735	1,064,607
Gross profit	275,449	292,418	253,067	261,365	286,101	199,907	323,854	410,048
Expenses(1)	208,058	228,542	204,713	210,277	216,629	154,970	220,091	281,750
Income from operations	67,391	63,876	48,354	51,088	69,472	44,937	103,763	128,298
Net interest expense(2)	41,595	44,855	42,545	47,206	51,093	38,205	40,534	53,422
Income before income taxes	25,796	19,021	5,809	3,882	18,379	6,732	63,229	74,876
Net income	23,987	17,798	5,354	2,382	15,252	5,284	52,932	62,900
Pro Forma Data:								
Unaudited pro forma net income (loss) available to common stockholders(3)	$ (5,174)	$ (14,270)	$ (33,263)	$ (42,389)	$ (34,190)	$ (28,035)	$ 25,672	$ 19,517
Unaudited pro forma net income (loss) available to common stockholders per share(3)(4)								
Basic	$ (0.41)	$ (1.14)	$ (2.69)	$ (3.59)	$ (2.96)	$ (2.42)	$ 2.26	$ 1.71
Diluted	$ (0.41)	$ (1.14)	$ (2.69)	$ (3.59)	$ (2.96)	$ (2.42)	$ 1.67	$ 1.35
Unaudited pro forma weighted average shares outstanding(4)								
Basic	12,519	12,548	12,365	11,820	11,555	11,593	11,365	11,381
Diluted	12,519	12,548	12,365	11,820	11,555	11,593	15,417	14,420
Unaudited pro forma net income available to common stockholders per share as adjusted(3)(5)								
Basic					$ 0.64		$ 2.25	
Diluted					$ 0.61		$ 2.15	
Unaudited pro forma weighted average shares outstanding as adjusted(5)								
Basic					23,732		23,542	
Diluted					25,159		24,660	
Cash Flow Data:								
Capital expenditures	$ 9,525	$ 14,475	$ 24,531	$ 15,335	$ 10,530	$ 6,781	$ 19,606	$ 23,355
Dividends paid(6)	13,372	5,514	14,963	35,587	5,781	4,762	9,866	10,885

Other Data (unaudited):								
EBITDA(7)	$ 77,342	$ 74,911	$ 59,803	$ 62,457	$ 80,756	$ 53,425	$ 112,543	$ 139,874
COLI effect(8)	(717)	(2,374)	(1,738)	(1,752)	(561)	(829)	(3,804)	(3,536)
Revenues per employee(9)	484	517	496	539	639	440	693	894
EBITDA per employee(7)(9)	40	37	33	37	50	33	68	85
Average number of employees	1,938	2,051	1,805	1,706	1,628	1,634	1,663	1,649
Tons shipped	601,532	679,610	581,243	603,310	662,213	463,986	571,065	769,292

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	December 31, 2004		
	Actual	Pro Forma(3)	Pro Forma As Adjusted(10)
		(in thousands) (unaudited)	
Balance Sheet Data:			
Cash and cash equivalents	$ 5,760	$ 6,133	$ 4,974
Total working capital	226,147	222,691	224,866
Total assets	628,051	629,107	627,948
Long-term debt	344,428	590,310	344,428
Total debt	346,748	592,630	346,748
Total stockholders equity (deficit)	8,605	(241,014)	6,193

(1) Expenses include restructuring charges aggregating $2,432, $3,320, and $1,861 for the fiscal years ended March 31, 2000, 2001 and 2002 in connection with workforce reductions and consolidations and losses from the sale of significant assets in those fiscal years and a special compensation charge of $2,000 in connection with a payment to our chief executive officer in fiscal 2001.

(2) Net interest expense includes amortization and write-off of debt issue costs aggregating $1,482, $1,482, $1,792, $1,416, $1,323, $992, $989 and $1,320 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively, net of interest income of $636, $1,179, $164, $83, $81, $67, $25 and $39 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively.

(3) The total pro forma adjustments to net income (loss) are approximately $(29,161), $(32,068), $(38,617), $(44,771), $(49,442), $(33,319), $(27,260) and $(43,383) for the fiscal years 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively. The adjustments consist of net interest expense for Holding, dividends accrued for the Holding series A preferred stock, dividends declared and paid in-kind for the Holding series B preferred stock and certain management fees charged to EMJ by Holding that are not eliminated in consolidation. The following table presents each of these adjustments for the applicable period.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
	(in thousands)					(unaudited)		(unaudited)
Holding interest, net	$ (22,718)	$ (25,096)	$ (29,888)	$ (35,280)	$ (38,834)	$ (25,382)	$ (21,442)	$ (34,894)
Preferred dividends	(6,478)	(7,016)	(8,758)	(9,518)	(10,628)	(7,958)	(5,818)	(8,488)
Management fees	35	44	29	27	20	21		(1)
Total	$ (29,161)	$ (32,068)	$ (38,617)	$ (44,771)	$ (49,442)	$ (33,319)	$ (27,260)	$ (43,383)

EMJ currently has 128 shares of common stock outstanding, all of which are held by Holding. For accounting purposes, our financial restructuring will be accounted for as a transfer of assets and exchange of shares between entities under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, the financial position and results of operations and share data of Holding are included in the pro forma net income (loss) provided on a historical cost basis.

(4) The pro forma basic and diluted per share information is computed based on the weighted average number of shares of common stock outstanding for each reported period. The computation of pro forma diluted per share information includes the dilutive effect of common stock equivalents for outstanding options and warrants exercisable for shares of common stock using the treasury stock method. Upon consummation of the financial restructuring, all shares of Holding common stock will be converted to shares of EMJ common stock. The inclusion of common stock equivalents for all periods presented prior to the periods ended December 31, 2004 was antidilutive.

(5) Pro forma net income (loss) available to common stockholders per share information reflects our operations as if the financial restructuring occurred at the beginning of the reported periods. Therefore, the pro forma as adjusted basic per share information reflects per share information as discussed in note 4 and shares of EMJ common stock issuable upon consummation of the financial restructuring as follows: 7,098,143 shares for the Holding notes; 1,350,576 shares for the Holding series A preferred stock; 792,945 shares for the Holding series B preferred stock; and 2,935,467 shares for the Holding warrants (assumes for the purpose of determining such number of shares an initial public offering price of $12.00 per share, the mid-point of the range shown on the cover of this prospectus, and net proceeds, before taking into account estimated offering expenses payable by us, of $223,800,000). See Certain Relationships and Related Transactions Financial Restructuring for further discussion. The computation of pro forma as adjusted diluted per share information includes the dilutive effect

of common stock equivalents for outstanding options exercisable for shares of common stock.

(6) Represents dividends paid to Holding in connection with the repurchase of its capital stock from terminated EMJ employees, as required by the terms of Holding s stockholders agreement and our stock bonus plan. In fiscal 2003, we also paid a dividend to Holding of $25,000 to be used to repay a portion of the Holding notes.

(7) EBITDA represents net income before net interest expense, provision for income taxes and depreciation and amortization. Consistent with Item 10(e) of Regulation S-K promulgated under the Securities Act, our EBITDA has not been adjusted to exclude any other non-cash charges or liabilities, such as LIFO (last-in-first-out) adjustments of $(9,022), $887, $590, $(3,354), $14,343, $500, $42,505 and $56,348 and accruals for stock bonus plan contributions and postretirement benefits aggregating $2,862, $11, $249, $498, $619, $563, $611 and $667 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and

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December 31, 2004 and the twelve months ended December 31, 2004, respectively. In addition, our EBITDA has not been adjusted for the following items: provisions for workforce reductions and consolidations and losses from the sale of significant assets aggregating $2,432, $3,320 and $1,861 for the fiscal years ended March 31, 2000, 2001 and 2002, respectively; special compensation of $2,000 payable to our chief executive officer in fiscal 2001; excise tax of $1,919 related to an IRS settlement in fiscal 2002; and a loss of $12,278 related to early retirement of debt in fiscal 2003. We believe EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of company performance in our industry. Our management believes that EBITDA is useful in evaluating our operating performance between periods and compared to that of our competitors because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary between periods and for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a significant component when measuring our performance in connection with determining incentive compensation. EBITDA is not a recognized measure of operating income, financial performance or liquidity under U.S. generally accepted accounting principles. The items excluded from EBITDA are significant components in understanding and assessing financial performance. Therefore, while providing useful information, our EBITDA should not be considered in isolation or as a substitute for consolidated statement of operations and cash flows data prepared in accordance with U.S. generally accepted accounting principles and should not be construed as an indication of a company s operating performance or as a measure of liquidity. In addition, it should be noted that companies calculate EBITDA differently and, therefore, EBITDA as presented for us may not be comparable to EBITDA reported by other companies. A reconciliation of net income to EBITDA for each of the respective periods indicated is as follows:

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
	(in thousands)							
Reconciliation of EBITDA:								
Net income	$ 23,987	$ 17,798	$ 5,354	$ 2,382	$ 15,252	$ 5,284	$ 52,932	$ 62,900
Depreciation and amortization	9,951	11,035	11,449	11,369	11,284	8,488	8,780	11,576
Net interest expense	41,595	44,855	42,545	47,206	51,093	38,205	40,534	53,422
Provision for income taxes	1,809	1,223	455	1,500	3,127	1,448	10,297	11,976
EBITDA	$ 77,342	$ 74,911	$ 59,803	$ 62,457	$ 80,756	$ 53,425	$ 112,543	$ 139,874

(8) We are the owner and beneficiary of life insurance policies on (1) all former non-union employees of a predecessor company, including certain current employees of EMJ, and (2) key man life insurance policies on certain current and former executives of EMJ. The effect of these company owned life insurance policies (COLI) on our pre-tax income consists of premium expense, policy dividend growth, and proceeds (death benefits) (which are reported as general and administrative expense) and policy interest expense on policy borrowings (which is reported as a component of interest expense). Under current U.S. federal tax law, the policy dividend growth is not currently taxable, the premium is non-deductible, the proceeds (death benefits) are tax exempt and the interest is deductible up to 96% of the contract rate.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
	(in thousands)							
Calculation of COLI effect:								
Cash surrender value policy dividend growth	$ 14,029	$ 13,010	$ 13,521	$ 17,156	$ 17,751	$ 12,411	$ 15,381	$ 20,721
Cash surrender value insurance premium	(2,101)	(2,217)	(2,325)	(2,866)	(3,081)	(2,544)	(2,756)	(3,293)
Proceeds (death benefits)		1,230	3,062	1,754	4,851	4,359	318	810
	11,928	12,023	14,258	16,044	19,521	14,226	12,943	18,238

Total operating income impact of COLI								
Cash surrender value interest	(12,645)	(14,397)	(15,996)	(17,796)	(20,082)	(15,055)	(16,747)	(21,774)
Total pre-tax income impact of COLI	$ (717)	$ (2,374)	$ (1,738)	$ (1,752)	$ (561)	$ (829)	$ (3,804)	$ (3,536)

(9) Calculated based on the average number of employees during the applicable period.

(10) Gives effect to (1) the receipt by us of the net proceeds from the sale of 20,000,000 shares of common stock at an assumed initial public offering price of $12.00 per share, the mid-point of the range shown on the cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us; (2) the intended applications of the net proceeds of this offering, as set forth in Use of Proceeds; and (3) the consummation of the financial restructuring.

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RISK FACTORS

You should carefully consider the risks described below before making an investment decision. If any of the following circumstances described in these risk factors occurs, our business, financial condition or results of operations could be materially adversely affected. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Our Business

The prices we pay for metals may fluctuate due to a number of factors beyond our control, which could adversely affect our operating results if we cannot pass on higher metal prices to our customers.

We purchase large quantities of carbon, alloy and stainless steel, aluminum and other metals, which we sell to a variety of end-users. The average price of metals that we purchase steadily increased during calendar 2004 at the rate of approximately 2.4% per month. These prices leveled off during the fourth quarter of fiscal 2005. While we anticipate that metal prices for the products we purchase will remain steady during the remainder of calendar 2005, the prices we pay for these metals and the prices we charge for our products may change depending on many factors outside of our control, including general economic conditions (both domestic and international), competition, production levels, import duties and other trade restrictions, currency fluctuations and surcharges imposed by our suppliers. For example, in the past year our suppliers have added various surcharges to the price of metals related to increases in the costs of scrap, energy, raw material and other inputs. These surcharges may or may not continue in the future and could be increased, decreased or eliminated by the suppliers that have imposed them.

Our 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 quantities we believe to be appropriate to satisfy the anticipated needs of our customers based 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 or at the time of shipment. During periods of rising prices for metal, we may be negatively impacted by delays between the time of metal price increases and price increases in our products if we are unable to pass these increases on to our customers. In addition, when metal prices decline, customer demands for lower prices could result in lower sale prices for our products and, as we use existing inventory that we purchased at higher metal prices, lower margins. Consequently, during periods in which we use this existing inventory, the effects of changing metal prices could adversely affect our operating results.

We operate in an industry that is subject to cyclical fluctuations and any downturn in general economic conditions or our customers industries could negatively impact our revenues, gross profit and net income.

The metals service center industry is cyclical, impacted by both market demand and metals supply. Periods of economic slowdown or recession in the United States, Canada or other countries, or the public perception that these may occur, would decrease the demand for our products and adversely affect our pricing. For example, the general slowing of the economy in fiscal 2002 and fiscal 2003 adversely impacted our product sales and pricing. While we experienced significantly improved sales volumes and pricing in fiscal 2004 and in the first nine months of fiscal 2005, this trend may not continue. Changing economic conditions could depress or delay demand for our products, which could adversely affect our revenues, gross profit and net income.

We sell many products to industries that are cyclical, such as the industrial equipment, oil, gas and energy, construction and agricultural equipment, and transportation industries. The demand for our products is directly

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related to, and quickly impacted by, demand for the finished goods manufactured by our customers in these industries, which may change as a result of the general U.S., Canadian or worldwide economy, domestic exchange rates, energy prices or other factors beyond our control. If we are unable to accurately project the product needs of our customers over varying lead times, we may not have sufficient inventory to be able to provide sought-after products on a timely basis. In addition, if we are not able to increase sales of products to customers in other industries when one or more of the cyclical industries that we serve is experiencing a decline, our revenues, gross profit and net income may be adversely affected.

The price of metals is subject to fluctuations in the supply and demand for metals worldwide and changes in the worldwide balance of supply and demand could negatively impact our revenues, gross profit and net income.

Metal prices are volatile due to, among other things, fluctuations in foreign and domestic production capacity, metals consumption and foreign currency rates. For example, in the past few years, China has significantly increased its consumption of metals and metal products. This large and growing demand for metals has significantly affected the metals industry, diverting supply to China and contributing to the recent increase in metal prices. If, in the future, China experiences a downturn in general economic conditions or increases its internal production of metals, its demand for metals produced outside of China could decrease. Such a decrease could cause a reduction in metal prices globally, which could adversely affect our revenues, gross profit and net income. Additionally, significant currency fluctuations in the United States or abroad could negatively impact our cost of metals and the pricing of our products. Recently, the decline in the dollar relative to foreign currencies resulted in increased prices for metals and metal products in the United States as imported metals became relatively more expensive. If, in the future, the dollar increases in value relative to foreign currencies, the domestic market may be more attractive to foreign producers, resulting in increased supply that could cause decreased metal prices and adversely affect our revenues, gross profit and net income.

We compete with a large number of companies in the metals service center industry, and if we are unable to compete effectively, our revenues, gross profit and net income may decline.

We compete with a large number of other general-line distributors and specialty distributors in the metals service center industry. Competition is based principally on price, inventory availability, timely delivery, customer service, quality and processing capabilities. Competition in the various markets in which we participate comes from companies of various sizes, some of which have greater financial resources than we do and some of which have more established brand names in the local markets we serve. Accordingly, these competitors may be better able to withstand changes in conditions within our customers industries and may have greater operating and financial flexibility than we have. To compete for customer sales, we may lower our prices or offer increased services at a higher cost to us, which could reduce our revenues, gross profit and net income.

If our customers, which are primarily North American manufacturing and industrial companies, relocate operations or outsource functions overseas, we would lose their business.

Our customer base is located in the United States and Canada and consists primarily of manufacturing and industrial companies. We do not currently operate facilities outside of North America. Therefore, in the event our customers relocate production operations or outsource particular functions overseas, we would lose their business, which could have an adverse effect on our revenues, gross profit and net income.

If we were to lose any of our primary suppliers or otherwise be unable to obtain sufficient amounts of necessary metals on a timely basis, we may not be able to meet our customers needs and may suffer reduced sales.

Because we have no long-term contracts to purchase metals, our primary suppliers of carbon, alloy and stainless steel, aluminum or other metals could curtail or discontinue their delivery of these metals to us in the

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quantities we need. Our ability to meet our customers needs and provide value-added inventory management services depends on our ability to maintain an uninterrupted supply of metal products from our suppliers. If our suppliers experience production problems, lack of capacity or transportation disruptions, the lead times for receiving our supply of metal products could be extended and the cost of our inventory may increase. If, in the future, we are unable to obtain sufficient amounts of the necessary metals at competitive prices and on a timely basis from our traditional suppliers, we may not be able to obtain these metals from acceptable alternative sources at competitive prices to meet our delivery schedules. Even if we do find acceptable alternative suppliers, the process of locating and securing these alternatives may be disruptive to our business, which could have an adverse impact on our ability to meet our customers needs and reduce our sales, gross profit and net income. In addition, if a significant domestic supply source is discontinued and we cannot find acceptable domestic alternatives, we may need to find a foreign source of supply. Dependence on foreign sources of supply could lead to longer lead times, increased price volatility, less favorable payment terms and certain tariffs and duties.

Our business may be adversely affected by our on-time or free delivery guarantee if we are unable to deliver our products on a timely basis.

We provide customers with an on-time or free delivery guarantee. Therefore, significant disruptions to timely deliveries of our products could lead to increased customer credits, harm to our reputation and a loss of market share.

As a decentralized business, we depend on both senior management and our key operating employees; if we are unable to attract and retain these individuals, our ability to operate and grow our business may be adversely affected.

Because of our decentralized operating style, we depend on the efforts of our senior management, including our chief executive officer, Maurice S. Nelson, Jr., and key operating employees. We may not be able to retain these individuals or attract and retain additional qualified personnel when needed. Other than a retention agreement with Mr. Nelson whereby we have agreed to pay Mr. Nelson a bonus of $3.0 million if he continues to serve as our president and chief executive officer until March 31, 2007 or if his employment is terminated under certain circumstances, we do not have employment agreements with any of our officers or employees in the United States, which may mean they may have less of an incentive to stay with us when presented with alternative employment opportunities. In addition, our senior management and key operating employees hold stock options that have vested and common stock in our stock bonus plan. These individuals may, therefore, be more likely to leave us if the shares of our common stock significantly appreciate in value. The loss of any key officer or employee will require remaining officers and employees to direct immediate and substantial attention to seeking a replacement. Our inability to retain members of our senior management or key operating employees or to find adequate replacements for any departing key officer or employee on a timely basis could adversely affect our ability to operate and grow our business.

Damage to our computer infrastructure and software systems could harm our business.

The unavailability of any of our information management systems for any significant period of time could have a material adverse effect on our operations. In particular, our ability to deliver products to our customers when needed, collect our receivables and manage inventory levels successfully largely depends on the efficient operation of our computer hardware and software systems. Through our information management systems, we track and allocate inventory among all of our locations, improve customer service through better order and product reference data and monitor operating results. Difficulties associated with upgrades, installations of major software or hardware, and integration with new systems could lead to business interruptions that could harm our reputation, increase our operating costs and decrease our profitability. In addition, these systems are vulnerable to, among other things, damage or interruption from power loss, computer system and network failures, loss of telecommunications services, operator negligence, physical and electronic loss of data, or security breaches and computer viruses.

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We have outsourced the maintenance and operation of our hardware to a third-party service provider that also provides us with backup systems in the event that our information management systems are damaged. It is possible that the backup facilities and other protective measures we take could prove to be inadequate. Moreover, it is possible that an event or disaster at our service provider s facilities could materially and adversely affect our ability to meet our customers needs and the ability of each of our locations to operate efficiently.

Our business could be adversely affected by a disruption to our Chicago facility s operations.

During the first nine months of fiscal 2005, our Chicago facility processed and shipped an average of 2,355 inventory line items per day, or approximately 23% of the line items shipped from all of our facilities during that period. Our Chicago facility serves its regional customers and also supplies products to all of our other service centers. Therefore, any disruption to our operations at this facility could adversely impact the performance of our other service centers and impair our ability to deliver products and services to our customers throughout the United States on a timely basis. Our operations at the Chicago facility could be disrupted in the event of:

- damage to, or inoperability of, its automated warehouse system;
- a hardware or software error, failure or crash;
- a power or telecommunications failure; or
- fire, flood or other natural disaster.

Any disruption could damage our reputation, cause customers to cease purchasing metals from us and cause customers to incur substantial losses. We could be subject to claims or litigation with respect to these losses. Our property and business interruption insurance may not adequately compensate us for all losses we may incur.

If we do not successfully implement our satellite operations growth strategy, our ability to grow our business could be impaired.

A key aspect of our growth strategy is the establishment of satellite operations, a physical presence in geographic markets (1) in which we have several significant customers or there are several potential customers that have a demand for our products and services and (2) that is supported by inventory, inside salespeople and the general management of one of our larger service centers. We may not be able to identify suitable locations for these operations or enter into agreements to purchase or lease locations upon satisfactory terms. In addition, we could fail to generate, or suffer a loss of, or a decrease in, purchases by one or more significant customers served by a satellite location, which could prevent us from realizing the expected benefits of such satellite location. Any of these occurrences could impair our ability to grow our business.

Labor disruptions could adversely affect our operations.

We have entered into collective bargaining agreements with union locals at our facilities that expire on staggered dates between 2005 and 2010. A work stoppage at one of our facilities that lasts for a significant period of time could cause us to lose sales, incur increased costs and adversely affect our ability to meet customers needs.

Our ability to consummate a change of control transaction could be hampered by the consequences it triggers under our debt instruments, including the required repurchase of our 9 3/4% senior secured notes and the possible acceleration of repayment of our domestic credit facility.

If, in the future, we experience a change of control as defined under the indenture for our 9 3/4% senior secured notes, we are required to make a change of control offer to purchase all of our 9 3/4% senior secured notes issued and then outstanding at a purchase price equal to 101% of the principal amount thereof plus accrued interest thereon, as of the date of purchase. Any change of control under the indenture also would constitute a default under our domestic credit facility pursuant to which the lenders under our credit facility could accelerate and require immediate payment of all of the then outstanding obligations under our credit facility.

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If, in the future, we experience a change of control, it is likely that we would be unable to repay all of our obligations under our domestic credit facility, our 9 3/4% senior secured notes and any other indebtedness that might become payable upon the occurrence of the change of control. Accordingly, it is likely that a prospective acquiror of all or substantially all of our assets or of more than 50% of our common stock would, in order to avoid the occurrence of a default under our indebtedness, either fund our purchase of the notes tendered in the required change of control offer or seek to refinance our notes, credit facility and other indebtedness. Such funding or refinancing may have the effect of delaying, deferring or preventing such an acquisition.

If the financial restructuring and this offering result in an ownership change, the availability of certain tax benefits for us will be adversely affected and our tax liability may increase.

We had net operating loss carryforwards, or NOLs, available for U.S. federal income tax purposes of approximately $20.4 million as of December 31, 2004. In addition, significant additional NOLs may be generated as a result of our operations and the repayment of the Holding notes with the proceeds of this offering. However, Holding will likely not be permitted an interest deduction for U.S. federal income tax purposes for accrued but previously non-deductible interest on the Holding notes to the extent that these notes are retired with our stock. We expect that the financial restructuring and this offering will result in an ownership change within the meaning of Section 382 of the Internal Revenue Code. As a result of such ownership change, there will likely be specific limitations on our ability to use our NOLs from periods prior to the financial restructuring and this offering. This could result in an increase in our U.S. federal income tax liability in future taxable periods, which could adversely affect our cash flow from operations.

Holding may recognize cancellation of indebtedness income as a result of the financial restructuring and this offering, which may adversely affect the availability of certain tax benefits for us.

If the fair market value of the EMJ common stock and cash that is issued to retire the Holding notes is less than the amount of such indebtedness (including accrued interest) that is retired, Holding may recognize taxable cancellation of indebtedness income to the extent of this shortfall. Available NOLs may be utilized to offset such cancellation of indebtedness income. However, even if any cancellation of indebtedness income is fully offset by available NOLs, a tax liability may still result for alternative minimum tax purposes. Any NOLs used to offset cancellation of indebtedness income would be unavailable to offset our future operating income.

We are subject to various environmental and employee safety and health regulations, which could subject us to significant liabilities and compliance expenditures

We are subject to extensive federal, state and local environmental laws and regulations concerning air emissions, wastewater discharges, underground storage tanks and solid and hazardous waste disposal at or from our facilities. Our operations are also subject to various employee safety and health laws and regulations, including those concerning occupational injury and illness, employee exposure to hazardous materials and employee complaints. Environmental and employee safety and health regulations are comprehensive, complex and frequently changing. Some of these laws and regulations are subject to varying and conflicting interpretations. We may be subject from time to time to administrative and/or judicial proceedings or investigations brought by private parties or governmental agencies with respect to environmental matters and employee safety and health issues. For example, there are currently remediation and/or investigation activities at certain former facilities where soil and/or groundwater contamination is present, and we have been notified of a potential claim relating to possible off-site contamination of river sediments from one of these facilities, which is our former Forge facility located in Seattle, Washington. As of December 31, 2004, we accrued approximately $0.3 million with respect to the Forge facility for expected environmental investigation and remediation costs in fiscal 2005 for compliance and sampling work in connection with an Administrative Order of Consent (AOC) that we executed at the request of the United States Environmental Protection Agency. We have also accrued $0.5 million for clean-up and monitoring activities we have agreed to undertake at our former facility at Clinton Drive in Houston, Texas. These amounts may not be sufficient to cover our costs under the AOC or

our

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agreement with the current owners of the Houston facility or other costs or liabilities that may arise in the future in connection with the Forge facility or the Houston facility.

We also entered into (1) a funding and participation agreement with the current owners of the Forge facility that requires us to fund 85% of the costs incurred in connection with the investigation activities to be performed under the AOC and (2) an agreement with the current owners of the Houston facility to indemnify the owners for pre-existing environmental issues at the Houston facility based on the Texas Commission for Environmental Quality industrial/commercial standards. We do not carry environmental insurance coverage. Proceedings and investigations with respect to environmental matters and any employee safety and health issues could result in substantial costs to us, divert our management s attention and result in significant liabilities, fines or the suspension or interruption of our service center activities. Some of our current properties are located in industrial areas with histories of heavy industrial use. The location of these properties may require us to incur expenditures and to establish environmental liabilities for costs that arise from causes other than our operations. Future events, such as changes in existing laws and regulations or their enforcement, new laws and regulations or the discovery of conditions not currently known to us, could create material compliance or remedial liabilities and costs which may constrain our operations or make such operations more costly.

Our operating results have fluctuated, and are expected to continue fluctuating, depending on the season, and such fluctuations may adversely affect our stock price.

Many of our customers are in seasonal businesses, including customers in the construction equipment and agricultural industries. In addition, our revenues in the months of July, November and December traditionally have been lower than in other months because of increased vacation days and holiday closures for various customers. Consequently, you should not rely on our results of operations during any particular quarter as an indication of our results for a full year or any other quarter. In addition, if analysts and investors inaccurately estimate our results of operations in one or more future quarters and our operating results fall below expectations, our stock price may decline.

The beneficial effects of our company owned life insurance policies will decline in future years as the insured employees die and the value of the remaining policies decreases.

EMJ currently benefits from the net after-tax cash flow effects of its company owned life insurance policies derived from borrowings against the insurance policies, death benefit proceeds and deductibility of interest payments on the insurance policy loans. Based on actuarial analysis, we expect the value of the net benefit to us will begin to decline in 2035 as the number of insured employees who have died increases and aggregate value of the remaining policies decreases.

Risks Relating to Our Indebtedness

Our substantial indebtedness could impair our financial condition and reduce the funds available to us for other purposes and our failure to comply with the covenants contained in our debt instruments could result in an event of default that could adversely affect our operating results.

We are, and after this offering, will continue to be, highly leveraged and have substantial debt service obligations. As of December 31, 2004, on a pro forma basis assuming consummation of the financial restructuring and this offering, our total consolidated debt would have been approximately $346.7 million. Our substantial indebtedness could adversely affect us in the following ways:

our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired;

a significant portion of our cash flow from operations must be dedicated to the payment of interest and principal on our debt, which reduces the funds available to us for our operations or other purposes;

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- some of our debt is, and will continue to be, at variable rates of interest, which may result in higher interest expense in the event of increases in interest rates;

- because we may be more leveraged than some of our competitors, our debt may place us at a competitive disadvantage;

- our leverage will increase our vulnerability to economic downturns and limit our ability to withstand adverse events in our business by limiting our financial alternatives; and

- our ability to capitalize on significant business opportunities and to plan for, or respond to, competition and changes in our business may be limited.

Our debt agreements contain, and any agreements to refinance our debt likely will contain, financial and restrictive covenants that limit our ability to incur additional debt, including to finance future operations or other capital needs, and to engage in other activities that we may believe are in our long-term best interests, including to dispose of or acquire assets. Our failure to comply with these covenants may result in an event of default which, if not cured or waived, could accelerate the maturity of our indebtedness or prevent us from accessing availability under our domestic credit facility. If our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and we may not be able to continue our operations as planned.

We may not be able to generate sufficient cash flow to meet our debt service obligations.

Our annual debt service obligations until March 3, 2010, when our amended and restated domestic credit facility is expected to mature, will be primarily limited to interest payments on our 9 3/4% senior secured notes, our domestic credit facility, our industrial revenue bonds and principal payments on our industrial revenue bonds. The principal payments on our outstanding industrial revenue bonds are approximately $1.2 million in fiscal 2006, $0.7 million in fiscal 2007 and $2.2 million in the aggregate thereafter through fiscal 2010. Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt obligations will depend on our future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control. For example, we may not generate sufficient cash flow from operations to repay our amended and restated domestic credit facility when it matures in fiscal 2010 or our 9 3/4% senior secured notes when they mature in fiscal 2013. If we do not generate sufficient cash flow from operations to satisfy our debt obligations, we expect to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We may not be able to consummate any such transaction at all or on a timely basis or on terms, and for proceeds, that are acceptable to us. Furthermore, these transactions may not be permitted under the terms of our various debt instruments then in effect. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to timely refinance our obligations on acceptable terms, could adversely affect our ability to serve our customers and could cause us to discontinue our operations as planned. Our amended and restated domestic credit facility is secured by a first priority lien on all of our domestic inventory and accounts receivable. Our ability to refinance our 9 3/4% senior secured notes or seek additional financing could be impaired as a result of this security.

Risks Associated with Purchasing Our Common Stock in this Offering

As a new investor, you will incur immediate and substantial dilution.

If you purchase shares of our common stock in this offering, you will experience an immediate and substantial dilution of $11.86 in pro forma net tangible book value per share of your investment. This means that the price you pay for the shares you acquire in this offering will be

significantly higher than your net tangible book value per share. If we issue additional shares of common stock in the future, you may experience further dilution in the net tangible book value of your shares. Likewise, you will incur additional dilution if the holders of outstanding options to purchase shares of our common stock at prices below our net tangible book value per share exercise their options after this offering. Upon consummation of the financial restructuring, there will be

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3,053,668 shares of common stock that will be issuable upon the exercise of outstanding stock options, with a weighted average exercise price of $3.35 per share, and an aggregate of 50,000 shares of common stock that will be issuable upon the exercise of options that will be granted to certain non-officer directors on the date of this prospectus at an exercise price equal to the initial public offering price. The contribution after consummation of this offering of up to 2,461,547 shares of common stock to our stock bonus plan in connection with the amended consent order for our stock bonus plan may cause you to incur further dilution.

Sales of a substantial number of shares of our common stock following this offering may adversely affect the market price of our common stock or our ability to raise additional capital.

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that large sales could occur, could cause the market price of our common stock to decline or limit our future ability to raise capital through an offering of equity securities. All of the shares of our common stock outstanding upon consummation of this offering and the financial restructuring will be freely tradable without restriction or further registration under the federal securities laws, unless held by our affiliates within the meaning of Rule 144 under the Securities Act or subject to the lock-up agreements, limitations on the ability of participants to transfer shares of common stock held in our stock bonus plan or transfer restriction agreements described below. Shares held by our affiliates will be restricted securities and will be subject to the volume and manner of sale restrictions of Rule 144. In addition, our certificate of incorporation will permit the issuance of up to 80,000,000 shares of common stock. After this offering, we will have an aggregate of 36,853,236 shares of our common stock authorized but unissued. Thus, we have the ability to issue substantial amounts of common stock in the future, which would dilute the percentage ownership held by the investors who purchase our shares in this offering.

We, each of our directors, each of our executive officers, the Kelso funds and each of their affiliates that will own our common stock following the financial restructuring and this offering, our stock bonus plan and certain other stockholders have agreed for a period of 180 days after the date of this prospectus, subject to extensions in certain limited circumstances, to not, without the prior written consent of Credit Suisse First Boston LLC and Goldman, Sachs & Co., directly or indirectly, offer to sell, sell, pledge or otherwise dispose of any shares of our common stock, subject to certain permitted exceptions. Following the expiration of the lock-up period, all of the shares of common stock subject to these agreements will be available for sale in the public market, subject to the restrictions on sales by affiliates under the Securities Act, limitations on the ability of participants to transfer shares of common stock held in our stock bonus plan and transfer restriction agreements. Pursuant to transfer restriction agreements, our executive officers and district managers have agreed to limit their ability to sell their shares of our common stock for a period of two years after the consummation of this offering. The stock bonus plan limits the ability of participants to sell shares of our common stock in their accounts, including for a period of two years after the consummation of this offering.

Following the effectiveness of the registration statement of which this prospectus forms a part, we intend to file a registration statement on Form S-8 under the Securities Act covering (1) 3,053,668 shares of common stock that will be issuable upon exercise of options under the Holding stock option plan upon our assumption of those options in connection with the consummation of the financial restructuring, (2) 2,157,338 shares of common stock that will be issuable pursuant to our stock incentive plan, which equals 5% of the aggregate number of shares of our common stock that will be outstanding upon completion of the financial restructuring and this offering and (3) the 2,461,547 shares of common stock that we have reserved for issuance to our stock bonus plan pursuant to the special contribution in connection with the amended consent order for the plan. Accordingly, subject to applicable vesting requirements, exercise with respect to options, limitations on the ability of participants to transfer shares of common stock held in our stock bonus plan, the provisions of Rule 144 with respect to affiliates and, if applicable, expiration of the 180-day lock-up agreements and the transfer restriction agreements, shares registered under the registration statement on Form S-8 will be available for sale in the open market. In addition, we have granted the Kelso funds and Mr. Nelson registration rights with respect to their shares of our common stock, including the 18,719,350 shares of our common stock they will own upon consummation of this offering and the financial restructuring.

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For a more detailed description of additional shares that may be sold in the future, see the sections of this prospectus captioned Shares Eligible for Future Sale and Underwriting.

Because the Kelso funds and other Kelso affiliates will continue to have the ability to significantly influence us after this offering and the financial restructuring, your influence as public stockholders over significant corporate actions will be limited and there may be circumstances in which the interests of the Kelso funds and other Kelso affiliates could be in conflict with us or your interests as public stockholders.

After the completion of this offering and the financial restructuring, the Kelso funds and other Kelso affiliates will control approximately 43.4% of our outstanding common stock, or approximately 37.8% if the underwriters exercise their over-allotment option in full. As a result, after this offering and the financial restructuring, the Kelso funds and other Kelso affiliates will continue to have the power to significantly influence all matters submitted to our stockholders, including the election of our directors and amendments to our certificate of incorporation. The Kelso funds and other Kelso affiliates also will have the ability to significantly influence the approval or disapproval of any transaction that requires the approval of stockholders regardless of whether or not other stockholders believe that any such transaction is in their own best interests. So long as the Kelso funds and other Kelso affiliates continue to own a significant amount of the outstanding shares of our common stock, they will continue to be able to strongly influence our decisions.

Further, in deciding how to vote on matters concerning us, the Kelso funds and other Kelso affiliates may be influenced by interests that conflict with our interests or your interests. These conflicts may not be resolved in our or your favor. For example, the Kelso funds and other Kelso affiliates, through their significant ownership in us, may seek to cause us to take actions that, in their judgment, enhances their investment in us, but which might involve risks to, or otherwise adversely affect, us or you. In addition, after this offering a number of our board members will continue to be affiliated with the Kelso funds. Furthermore, we have agreed with the Kelso funds that for so long as the Kelso funds own in excess of 20% of our issued and outstanding common stock, the Kelso funds will be entitled to designate two directors, and for so long as the Kelso funds own in excess of 10% of our issued and outstanding common stock, the Kelso funds will be entitled to designate one director, to be included in the slate of directors nominated by us for election to our board of directors in our annual proxy statement. These relationships could create or appear to create potential conflicts of interest when these individuals are faced with decisions that could have different implications for us, the Kelso funds and other Kelso affiliates.

Our common stock does not have a trading history, and you may not be able to trade our common stock if an active trading market does not develop.

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on The New York Stock Exchange under the symbol JOR. Although the underwriters have informed us that they intend to make a market in our common stock, they are not obligated to do so, and any market-making may be discontinued at any time without prior notice. Therefore, an active trading market for our common stock may not develop or, if it does develop, may not continue. As a result, the market price of our common stock, as well as your ability to sell our common stock, could be adversely affected. You should not view the initial public offering price as any indication of prices that will prevail in the trading market.

The value of your investment may be subject to sudden decreases due to the potential volatility of the price of our common stock.

The market price of our common stock may be highly volatile and subject to wide fluctuations in response to various factors, which could also cause variations in our quarterly results of operations. These factors may include the factors discussed in other risk factors included in this

prospectus and the following factors:

- press releases or publicity relating to us or our competitors or relating to trends in the metals service industry;
- changes in the legal or regulatory environment affecting our business;

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changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;

the operating and stock performance of other companies that investors may deem comparable;

developments affecting us, our customers or our suppliers;

inability to meet securities analysts and investors quarterly or annual estimates or targets of our performance; and

general domestic or international economic, market and political conditions.

These factors may adversely affect the trading price of our common stock, regardless of our actual operating performance, and could prevent you from selling your common stock at or above the initial public offering price. In addition, the stock markets from time to time experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. In the past, some stockholders have brought securities class action lawsuits against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation, regardless of whether we are ultimately successful, could result in substantial costs and divert management s attention and resources.

Because we do not anticipate paying dividends on our common stock in the foreseeable future, you should not expect to receive dividends on shares of our common stock.

We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business and do not anticipate paying cash dividends on our common stock in the foreseeable future. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our board of directors. In addition, our domestic credit facility prohibits us from paying, and the indenture for our 9 3/4% senior secured notes limits our ability to pay, dividends after the financial restructuring. We are restricted from paying cash dividends and making other distributions to our stockholders under the indenture unless 50% of our consolidated net income, as adjusted, exceeds prior distributions to stockholders, subject to certain other limitations. As a result of these limitations and our expectation that we will not pay dividends in the near future, our common stock may be less attractive to investors that seek dividend payments.

Provisions of our certificate of incorporation and our bylaws could delay or prevent a takeover of us by a third party.

Our certificate or incorporation and our bylaws could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our stockholders, or otherwise adversely affect the price of our common stock and your rights as a holder of our common stock. For example, our certificate of incorporation and bylaws will (1) permit our board of directors to issue one or more series of preferred stock with rights and preferences designated by our board and (2) impose advance notice requirements for stockholder proposals and nominations of directors to be considered at stockholder meetings. These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors other than the candidates nominated by our board. See Description of Capital Stock for additional information on the anti-takeover measures applicable to us. In addition, our domestic credit facility and the indenture for our 9 3/4% senior secured notes contain limitations on our ability to enter into change of control transactions.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that reflect our current expectations and projections about our future results, performance, prospects and opportunities. We have tried to identify these forward-looking statements by using words such as may, will, expect, anticipate, believe, intend, estimate and similar expressions. These forward-looking statements are based on information currently available to us and are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. We have described these risks, uncertainties and other factors in Risk Factors and elsewhere in this prospectus.

You should not place undue reliance on any forward-looking statements. Except as otherwise required by federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this prospectus.

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USE OF PROCEEDS

We estimate that we will receive net proceeds of $223,800,000 from the sale of 20,000,000 shares of common stock (and an additional $33,570,000 from the sale of 3,000,000 shares if the underwriters exercise their over-allotment option in full) at an assumed initial public offering price of $12.00 per share, the mid-point of the range described on the cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The net proceeds, before taking into account $2,009,000 of estimated offering expenses payable by us, will be applied pro rata to the payment of the cash consideration for the Holding notes, Holding series A preferred stock and Holding series B preferred stock upon consummation of the financial restructuring in the proportion that their respective amounts bear to the aggregate value of the Holding notes issued and outstanding as of the closing date (including interest accrued through September 29, 2004) and the Holding series A preferred stock and Holding series B preferred stock issued and outstanding as of the closing date (including dividends accrued through September 29, 2004). As of the date of this prospectus, the aggregate value of the Holding notes is $257,069,318, the aggregate value of the Holding series A preferred stock is $47,018,953 and the aggregate value of the Holding series B preferred stock is $27,881,833. Accordingly, approximately 77.4% of the net proceeds will be applied to the Holding notes, 14.2% of the net proceeds will be applied to the Holding series A preferred stock and 8.4% of the net proceeds will be applied to the Holding series B preferred stock.

The following table illustrates our estimated uses of the net proceeds of this offering, before taking into account $2,009,000 of estimated offering expenses payable by us, in connection with the financial restructuring. If the net proceeds are less than or greater than the amount assumed for purposes of this offering, the cash consideration we will pay for the Holding notes, the Holding series A preferred stock and the Holding series B preferred stock upon consummation of the financial restructuring will decrease or increase, respectively. Net proceeds, if any, from the underwriters exercise of their over-allotment option will be applied pro rata to the payment of the Holding notes, Holding series A preferred stock and Holding series B preferred stock in lieu of the issuance of shares of EMJ common stock. See Prospectus Summary The Offering.

	Amount
Cash payable in exchange for the Holding notes(1)	$ 173,305,104
Cash payable upon conversion of the Holding series A preferred stock(2)	31,698,161
Cash payable upon conversion of the Holding series B preferred stock(3)	18,796,735

(1) The total amount of cash and stock consideration payable in connection with the repayment of the Holding notes is $257,069,318, which is equal to the principal amount plus all accrued and unpaid interest through September 29, 2004. The Holding notes bear interest at the rate of 18% per annum and mature on June 30, 2013.

(2) The total amount of cash and stock consideration payable in connection with the conversion of the Holding series A preferred stock is $47,018,953, which is equal to the aggregate appraised value as of March 31, 2004, plus accumulated and unpaid dividends from April 1, 2004 through September 29, 2004 with respect to 57,573 shares of outstanding Holding series A preferred stock.

(3) The total amount of cash and stock consideration payable in connection with the conversion of the Holding series B preferred stock is $27,881,833, which is equal to the liquidation value of $1,000 per share with respect to 27,882 shares of outstanding Holding series B preferred stock (all accumulated dividends have been paid in-kind through September 29, 2004).

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DIVIDEND POLICY

For each of the fiscal years ended March 31, 2002, 2003 and 2004 and during the first nine months of fiscal 2005, we paid cash dividends totaling $14,963,000, $10,587,000, $5,781,000 and $9,866,000, respectively, to Holding in connection with the repurchase of its capital stock from employees of EMJ whose employment had terminated, which Holding is required to do under the terms of Holding s stockholders agreement and our stock bonus plan, and redemption of stock options from Mr. Nelson, our chief executive officer, and a terminated employee. These obligations will cease upon completion of this offering and the financial restructuring. In addition, we paid a cash dividend of $25,000,000 to Holding in connection with our May 2002 refinancing of certain indebtedness.

We plan to retain all future earnings to finance the development and growth of our business. Therefore, we do not currently anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, our domestic credit facility prohibits us from paying, and the indenture for our 9 3/4% senior secured notes limits our ability to pay, dividends after the financial restructuring. Any future determination as to the payment of dividends will be restricted by these limitations, will be at the discretion of our board of directors and will depend on our financial condition, capital requirements, earnings, any other contractual restrictions and other factors our board of directors considers relevant.

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CAPITALIZATION

The following table shows our consolidated cash and cash equivalents and capitalization as of December 31, 2004:

- on an actual basis;
- on a pro forma basis to give effect to the financial restructuring to account for the transfer of assets and exchange of shares between entities, EMJ and Holding, under common control. As such, the financial restructuring will be accounted for in a manner similar to a pooling-of-interests. Accordingly, the financial position and results of operations of Holding will be included in our consolidated financial statements on a historical basis; and
- on a pro forma as adjusted basis to give effect to (1) our issuance and sale of 20,000,000 shares of common stock at an assumed initial public offering price of $12.00 per share, the mid-point of the range shown on the cover of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us; (2) our intended application of the net proceeds of this offering and (3) the consummation of the financial restructuring.

You should read this table together with Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	December 31, 2004		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited)	
	(in thousands, except share data)		
Cash and cash equivalents	$ 5,760	$ 6,133	$ 4,974
Debt			
Short-term debt	$ 2,320	$ 2,320	$ 2,320
Long-term debt			
Domestic credit facility	91,558	91,558	91,558
9 3/4% senior secured notes due June 1, 2012	250,000	250,000	250,000
Industrial development bonds	2,870	2,870	2,870
Variable rate senior notes due June 30, 2013		245,882	
Total long-term debt	344,428	590,310	344,428
Total debt	346,748	592,630	346,748
Stockholders equity (deficit)			
Holding preferred and common stock subject to redemption in certain circumstances		75,494	
Holding series A preferred stock, not subject to redemption		21,217	
Holding series B preferred stock, not subject to redemption		2,316	
Holding common stock		107	
Reclassification to value preferred and common stock subject to redemption in certain circumstances to its redemption price		(16,641)	
Treasury stock		(65,441)	

Preferred stock, $.01 par value; 200 shares authorized and no shares issued, actual, pro forma and pro forma as adjusted			
Common stock, $.01 par value; 2,800 shares authorized and 128 shares issued and outstanding, actual and pro forma; 80,000,000 shares authorized and 43,426,441 shares ($.001 par value) issued and outstanding, pro forma as adjusted			43
Capital in excess of par value	21,194	78,441	350,511
Accumulated other comprehensive loss			
Foreign currency translation adjustment	1,268	1,268	1,268
Additional minimum pension liability	(2,625)	(2,625)	(2,625)
Accumulated deficit	(11,232)	(335,150)	(343,004)
Total stockholders equity (deficit)	8,605	(241,014)	6,193
Total capitalization	$ 355,353	$ 351,616	$ 352,941

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected consolidated financial and other data at the dates and for the periods presented below. We derived the data for the fiscal years ended March 31, 2002, 2003 and 2004 and the data as of March 31, 2003 and 2004 from our audited consolidated financial statements for those periods and as of those dates that are included in this prospectus. We derived the data for the fiscal years ended March 31, 2000 and 2001 and the data as of March 31, 2000, 2001 and 2002 from our audited consolidated financial statements for those periods and as of those dates that are not included in this prospectus. We derived the data for the nine months ended January 1, 2004 and December 31, 2004 and the data as of December 31, 2004 from our unaudited consolidated financial statements for those periods and as of that date that are included in this prospectus and, in the opinion of management, reflect all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of our results of operations and financial position for such periods. Results for the nine months ended December 31, 2004 are not necessarily indicative of results for the full fiscal year. We derived the data for the 12 months ended December 31, 2004 from our audited consolidated financial statements for the fiscal year ended March 31, 2004 and our unaudited consolidated financial statements for the nine months ended January 1, 2004 and December 31, 2004 that are included in this prospectus. You should read the following information along with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes, which are included elsewhere in this prospectus.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended December 31,
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	2004
	(dollars in thousands, except per share data)							
Statement of Operations Data:						(unaudited)		(unaudited)
Revenues	$ 938,252	$ 1,059,681	$ 895,058	$ 919,927	$ 1,040,367	$ 718,301	$ 1,152,589	$ 1,474,655
Costs of sales	662,803	767,263	641,991	658,562	754,266	518,394	828,735	1,064,607
Gross profit	275,449	292,418	253,067	261,365	286,101	199,907	323,854	410,048
Expenses(1)	208,058	228,542	204,713	210,277	216,629	154,970	220,091	281,750
Income from operations	67,391	63,876	48,354	51,088	69,472	44,937	103,763	128,298
Net interest expense(2)	41,595	44,855	42,545	47,206	51,093	38,205	40,534	53,422
Income before income taxes	25,796	19,021	5,809	3,882	18,379	6,732	63,229	74,876
Net income	23,987	17,798	5,354	2,382	15,252	5,284	52,932	62,900
Pro Forma Data:								
Unaudited pro forma net income (loss) available to common stockholders(3)	$ (5,174)	$ (14,270)	$ (33,263)	$ (42,389)	$ (34,190)	$ (28,035)	$ 25,672	$ 19,517
Unaudited pro forma net income (loss) available to common stockholders per share(3)(4)								
Basic	$ (0.41)	$ (1.14)	$ (2.69)	$ (3.59)	$ (2.96)	$ (2.42)	$ 2.26	$ 1.71
Diluted	$ (0.41)	$ (1.14)	$ (2.69)	$ (3.59)	$ (2.96)	$ (2.42)	$ 1.67	$ 1.35
Unaudited pro forma weighted average shares outstanding(4)								
Basic	12,519	12,548	12,365	11,820	11,555	11,593	11,365	11,381
Diluted	12,519	12,548	12,365	11,820	11,555	11,593	15,417	14,420
Unaudited pro forma net income available to common stockholders per share as adjusted(3)(5)								
Basic					$ 0.64		$ 2.25	
Diluted					$ 0.61		$ 2.15	
Unaudited pro forma weighted average shares outstanding as adjusted(5)								
Basic					23,732		23,542	
Diluted					25,159		24,660	
Cash Flow Data:								
Capital expenditures	$ 9,525	$ 14,475	$ 24,531	$ 15,335	$ 10,530	$ 6,781	$ 19,606	$ 23,355
Dividends paid(6)	13,372	5,514	14,963	35,587	5,781	4,762	9,866	10,885

Other Data (unaudited):								
EBITDA(7)	$ 77,342	$ 74,911	$ 59,803	$ 62,457	$ 80,756	$ 53,425	$ 112,543	$ 139,874
COLI effect(8)	(717)	(2,374)	(1,738)	(1,752)	(561)	(829)	(3,804)	(3,536)
Revenues per employee(9)	484	517	496	539	639	440	693	894
EBITDA per employee(7)(9)	40	37	33	37	50	33	68	85
Average number of employees	1,938	2,051	1,805	1,706	1,628	1,634	1,663	1,649
Tons shipped	601,532	679,610	581,243	603,310	662,213	463,986	571,065	769,292

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	March 31,					December 31,
	2000	2001	2002	2003	2004	2004
	(in thousands)					(unaudited)
Balance Sheet Data:						
Cash and cash equivalents	$ 21,660	$ 23,758	$ 21,300	$ 20,030	$ 15,528	$ 5,760
Total working capital	165,148	156,309	154,936	150,205	139,463	226,147
Total assets	464,374	484,264	443,998	490,741	536,480	628,051
Long-term debt	282,943	266,539	289,300	328,207	305,762	344,428
Total debt	285,547	270,184	292,895	330,537	309,738	346,748
Total stockholders equity (deficit)	(14,365)	(3,151)	(15,786)	(48,016)	(37,359)	8,605

(1) Expenses include restructuring charges aggregating $2,432, $3,320, and $1,861 for the fiscal years ended March 31, 2000, 2001 and 2002 in connection with workforce reductions and consolidations and losses from the sale of significant assets in those fiscal years and a special compensation charge of $2,000 in connection with a payment to our chief executive officer in fiscal 2001.

(2) Net interest expense includes amortization and write-off of debt issue costs aggregating $1,482, $1,482, $1,792, $1,416, $1,323, $992, $989 and $1,320 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively, net of interest income of $636, $1,179, $164, $83, $81, $67, $25 and $39 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively.

(3) The total pro forma adjustments to net income (loss) are approximately $(29,161), $(32,068), $(38,617), $(44,771), $(49,442), $(33,319), $(27,260) and $(43,383) for the fiscal years 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively. The adjustments consist of net interest expense for Holding, dividends accrued for the Holding series A preferred stock, dividends declared and paid in-kind for the Holding series B preferred stock and certain management fees charged to EMJ by Holding that are not eliminated in consolidation. The following table presents each of these adjustments for the applicable period.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
	(in thousands)					(unaudited)		(unaudited)
Holding interest, net	$ (22,718)	$ (25,096)	$ (29,888)	$ (35,280)	$ (38,834)	$ (25,382)	$ (21,442)	$ (34,894)
Preferred dividends	(6,478)	(7,016)	(8,758)	(9,518)	(10,628)	(7,958)	(5,818)	(8,488)
Management fees	35	44	29	27	20	21		(1)
Total	$ (29,161)	$ (32,068)	$ (38,617)	$ (44,771)	$ (49,442)	$ (33,319)	$ (27,260)	$ (43,383)

EMJ currently has 128 shares of common stock outstanding, all of which are held by Holding. For accounting purposes, our financial restructuring will be accounted for as a transfer of assets and exchange of shares between entities under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, the financial position and results of operations and share data of Holding are included in the pro forma net income (loss) provided on a historical cost basis.

(4) The pro forma basic and diluted per share information is computed based on the weighted average number of shares of common stock outstanding for each reported period. The computation of pro forma diluted per share information includes the dilutive effect of common stock equivalents for outstanding options and warrants exercisable for shares of common stock using the treasury stock method. Upon consummation of the financial restructuring all shares of Holding common stock will be converted to shares of EMJ common stock. The inclusion of common stock equivalents for all periods presented prior to the periods ended December 31, 2004 was antidilutive.

(5) Pro forma net income (loss) available to common stockholders per share information reflects our operations as if the financial restructuring occurred at the beginning of the reported periods. Therefore, the pro forma as adjusted basic per share information reflect per share information as discussed in note 4 and shares of EMJ common stock issuable upon consummation of the financial restructuring as follows: 7,098,143 shares for the Holding notes; 1,350,576 shares for the Holding series A preferred stock; 792,945 shares for the Holding series B preferred stock; and 2,935,467 shares for the Holding warrants (assumes for the purpose of determining such number of shares an initial public offering price of $12.00 per share, the mid-point of the range shown on the cover of this prospectus, and net proceeds, before taking into account estimated offering expenses payable by us, of $223,800,000). See Certain Relationships and Related Transactions Financial Restructuring for further discussion. The computation of pro forma as adjusted diluted per share information includes the dilutive effect of common stock equivalents for outstanding options exercisable for shares of common stock.

(6) Represents dividends paid to Holding in connection with the repurchase of its capital stock from terminated EMJ employees, as required by the terms of Holding s stockholders agreement and our stock bonus plan. In fiscal 2003, we also paid a dividend to Holding of $25,000 to be used to repay a portion of the Holding notes.

(7) EBITDA represents net income before net interest expense, provision for income taxes and depreciation and amortization. Consistent with Item 10(e) of Regulation S-K promulgated under the Securities Act, our EBITDA has not been adjusted to exclude any other non-cash charges or liabilities, such as LIFO (last-in-first-out) adjustments of $(9,022), $887, $590, $(3,354), $14,343, $500, $42,505 and $56,348 and accruals for stock bonus plan contributions and postretirement benefits aggregating $2,862, $11, $249, $498, $619, $563,

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$611 and $667 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the twelve months ended December 31, 2004, respectively. In addition, our EBITDA has not been adjusted for the following items: provisions for workforce reductions and consolidations and losses from the sale of significant assets aggregating $2,432, $3,320 and $1,861 for the fiscal years ended March 31, 2000, 2001 and 2002, respectively; special compensation of $2,000 payable to our chief executive officer in fiscal 2001; excise tax of $1,919 related to an IRS settlement in fiscal 2002; and a loss of $12,278 related to early retirement of debt in fiscal 2003. We believe EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of company performance in our industry. Our management believes that EBITDA is useful in evaluating our operating performance between periods and compared to that of our competitors because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary between periods and for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a significant component when measuring our performance in connection with determining incentive compensation. EBITDA is not a recognized measure of operating income, financial performance or liquidity under U.S. generally accepted accounting principles. The items excluded from EBITDA are significant components in understanding and assessing financial performance. Therefore, while providing useful information, our EBITDA should not be considered in isolation or as a substitute for consolidated statement of operations and cash flows data prepared in accordance with U.S. generally accepted accounting principles and should not be construed as an indication of a company s operating performance or as a measure of liquidity. In addition, it should be noted that companies calculate EBITDA differently and, therefore, EBITDA as presented for us may not be comparable to EBITDA reported by other companies. A reconciliation of net income to EBITDA for each of the respective periods indicated is as follows:

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
	(in thousands)							
Reconciliation of EBITDA:								
Net income	$ 23,987	$ 17,798	$ 5,354	$ 2,382	$ 15,252	$ 5,284	$ 52,932	$ 62,900
Depreciation and amortization	9,951	11,035	11,449	11,369	11,284	8,488	8,780	11,576
Net interest expense	41,595	44,855	42,545	47,206	51,093	38,205	40,534	53,422
Provision for income taxes	1,809	1,223	455	1,500	3,127	1,448	10,297	11,976
EBITDA	$ 77,342	$ 74,911	$ 59,803	$ 62,457	$ 80,756	$ 53,425	$ 112,543	$ 139,874

(8) We are the owner and beneficiary of life insurance policies on (1) all former non-union employees of a predecessor company, including certain current employees of EMJ, and (2) key man life insurance policies on certain current and former executives of EMJ. The effect of these company owned life insurance policies on our pre-tax income and consists of premium expense, policy dividend growth, and proceeds (death benefits) (which are reported as general and administrative expense) and policy interest expense on policy borrowings (which is reported as a component of interest expense). Under current U.S. federal tax law, the policy dividend growth is not currently taxable, the premium is non-deductible, the proceeds (death benefits) are tax exempt and the interest is deductible up to 96% of the contract rate.

	Fiscal Year Ended March 31,					Nine Months Ended		Twelve Months Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
	(in thousands)							
Calculation of COLI effect:								
Cash surrender value policy dividend growth	$ 14,029	$ 13,010	$ 13,521	$ 17,156	$ 17,751	$ 12,411	$ 15,381	$ 20,721
Cash surrender value insurance premium	(2,101)	(2,217)	(2,325)	(2,866)	(3,081)	(2,544)	(2,756)	(3,293)
Proceeds (death benefits)		1,230	3,062	1,754	4,851	4,359	318	810

Total operating income impact of COLI	11,928	12,023	14,258	16,044	19,521	14,226	12,943	18,238
Cash surrender value interest	(12,645)	(14,397)	(15,996)	(17,796)	(20,082)	(15,055)	(16,747)	(21,774)
Total pre-tax income impact of COLI	$ (717)	$ (2,374)	$ (1,738)	$ (1,752)	$ (561)	$ (829)	$ (3,804)	$ (3,536)

(9) Calculated based on the average number of employees during the applicable period.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion, including estimates and expectations under Overview regarding LIFO charges, quarterly revenues, gross margins, warehouse and delivery expenses and EBITDA (all of which are unaudited), contains forward-looking statements that are based on a number of expectations and assumptions with respect to industry performance, general business, general economic conditions and other matters and involve risks and uncertainties, many of which are beyond our control. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of various factors, including the risks discussed in Risk Factors and elsewhere in this prospectus. See Cautionary Note Regarding Forward-Looking Statements. Our fiscal year ends March 31 of each applicable year.

Overview

We are a leading distributor of metal bar and tubular products used in North American manufacturing processes and have been in business for over 80 years. We purchase over 25,000 different metal products in large quantities from primary producers, including a broad mix of carbon, alloy and stainless steel and aluminum bar, tubular and plate products. We sell these metal products in smaller quantities to over 35,000 customers spanning various industries, including machine tools, industrial equipment, transportation, fluid power, oil, gas and energy, fabricated metal, and construction and agricultural equipment. We distribute our broad range of metal products and provide our customers value-added metal processing and inventory management services from our distribution network of 35 strategically located service and processing centers in the United States and Canada.

The metals service center industry is affected by market demand and metals supply. The most advantageous business conditions for the leading metals service centers in North America that have strong supply relationships with metals producers occur when domestic demand is strong and worldwide supply is limited. After many quarters of weak industrial economic conditions in the United States, the metals service center industry began to experience growth in sales volume and increases in prices during the last calendar quarter of 2003. This growth, which continued throughout 2004, has been due to growing demand for metal products in North America and emerging countries, led by China. This significant increase in demand has changed the balance of supply and demand for metal products, which has correspondingly increased prices and reduced the supply of metals. Another factor currently affecting metal prices and availability in North America is favorable exchange rates that are helping end-users that export their finished products and hurting the supply of traditionally less expensive foreign raw material coming to North America. During the first two quarters of fiscal 2005 our gross margin percentage increased as compared to the same period of fiscal 2004, mainly because of our ability to increase our selling prices to our customers due to the higher costs of most of our products. Improved customer demand, along with limited supplies of many metals and the efforts of our sales force, allowed us to pass through increased pricing to our customers. Our gross margin percentage increased because we passed those price increases on to our customers before we received higher cost material in our inventory. We account for inventory on a LIFO (last-in-first-out) basis and record a LIFO adjustment each quarter based on the anticipated reserve required at March 31 of each fiscal year. During the third and fourth quarters of fiscal 2005, we received higher cost material into our inventory and the rate of mill price increases, along with our selling prices, slowed, which caused our gross margins to decline in the third and fourth quarters of fiscal 2005. Due to fluctuations in the inflation of inventory average costs during fiscal 2005, our interim estimates of the LIFO charge for our inventory for fiscal 2005 did not fully account for the ultimate LIFO charge we expect for fiscal 2005 and thus we will make a LIFO adjustment in the fourth quarter of fiscal 2005. See Cost of Sales for an explanation of our accounting for inventory on a LIFO basis. We estimate the LIFO charge for the fourth quarter of fiscal 2005 will be approximately $32 million and the LIFO charge for the full fiscal year 2005 will be approximately $74 million.

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Our revenues for the fourth quarter of fiscal 2005 were approximately $456 million, which exceeded revenues for the third quarter of fiscal 2005. We anticipate that the gross profit margins for the fourth quarter of fiscal 2005 will be lower than the gross profit margins we recorded in each quarter since April 1, 2000 because of the effect of the LIFO charge described above. We expect that our gross profit margins for the fourth quarter of fiscal 2005 will be approximately 28.9%, excluding LIFO reserve expenses. While we do not expect our warehouse and delivery expenses and selling expenses for the fourth fiscal quarter of fiscal 2005 to vary materially as a percentage of revenues from levels in the prior periods of fiscal 2005, we expect our operating expenses for this quarter will likely increase as a percentage of revenues from levels in the prior periods of fiscal 2005 due to the effect of expenses associated with the financial restructuring and the effect of a non-cash charge to mark to market the 2,461,547 shares of common stock representing the portion of the special contribution to our stock bonus plan that has not yet been contributed. The fair market value of such shares at December 31, 2004 was $6.61 per share. At a fair market value of $12.00 per share at March 31, 2005, which is the assumed initial public offering price per share based on the mid-point of the range shown on the cover of this prospectus, the charge for these uncontributed shares would be approximately $13 million for the fourth quarter of fiscal 2005. We anticipate that customer demand in calendar 2005 will remain strong, but the greater availability of material and the leveling off of price increases could cause a decline in our gross profit margins and EBITDA (as defined and discussed in footnote 7 under the heading Selected Consolidated Financial and Other Data).

We believe that the metals service center industry will continue to increase its role as a valuable intermediary between primary metals producers and end-users, principally as a result of (1) the metals producers efforts to increase sales to larger volume purchasers in order to increase production efficiency and (2) increased demand by end-users for value-added services in order to reduce their costs and capital expenditures associated with the production process. We also believe that customer demand will continue to be strong and that the availability of certain steel and aluminum will remain tight in the near future. While the tight supply of steel and aluminum could disrupt our ability to meet our customers material requirements, we believe that our extensive inventory of core products, excellent customer service, excellent supplier relationships, broad network of facilities, proprietary technology, automated warehouse system and experienced management team have differentiated, and will continue to differentiate, us in the marketplace.

During the last several years, we have focused our management efforts on automating and reconfiguring our facilities to increase workflow, enhancing our information management systems to improve customer service, and streamlining our management structure, reducing headcount and decreasing corporate overhead to reduce costs. We believe our results reflect these improvements and increased demand for our metal products. For example:

- during fiscal 2004 and the first nine months of fiscal 2005, we handled approximately 7,900 and 8,100 sales transactions per business day, respectively, at an average sale price of approximately $520 and $750 per transaction, respectively;
- our tons shipped from stock inventory during the first nine months of fiscal 2005, which constituted 93.4% of our revenues from the sale of metal products for such period, was 23.1% higher compared to the first nine months of fiscal 2004;
- in the first nine months of fiscal 2005, tons shipped from stock inventory per employee, based on the average number of employees during the first nine months, increased approximately 21% to 343 compared to the first nine months of fiscal 2004;
- in the first nine months of fiscal 2005, our EBITDA (as defined and discussed in footnote 7 under the heading Selected Consolidated Financial and Other Data) per employee, based on the average number of employees in the period, increased 107.0% to $67,675 from the first nine months of fiscal 2004; and
- our operating margin for the first nine months of fiscal 2005 and fiscal 2004 was 9.0% and 6.3%, respectively.

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Revenues

We derive substantially all of our revenues from the sale and processing of metal products. The pricing for most of our sales, which varies substantially across product lines, is set at the time of the sale. We do, however, make approximately 10% of our sales under arrangements that fix the price for a period of time. These arrangements are generally for no more than three months. When we enter into a fixed price arrangement, we typically enter into a corresponding supply arrangement with our supplier to cover the commitment to our customer. These corresponding supply arrangements limit the risk of fluctuating prices negatively impacting our margins on these fixed price arrangements.

Cost of Sales

Our cost of sales consists of the costs we pay for metals and related inbound freight charges. We account for inventory on a LIFO (last-in-first-out) basis. We calculate LIFO adjustments as of March 31 of each fiscal year. Interim estimates of the charge or credit are determined based on inflationary or deflationary purchase cost trends and inventory levels. During periods of extreme fluctuations in the inflation or deflation of inventory average costs, interim LIFO estimates may not fully account for the ultimate charge or credit for our fiscal years ended March 31.

Gross Profit

Historically, we have attempted to maintain our gross profit margins by increasing our prices as the cost of our materials increased. As a result, if prices increase and we are successful in maintaining the same gross profit margin, we generate more gross profit dollars. Conversely, if prices decline and we are not successful in maintaining the same gross profit margin, we will typically generate fewer gross profit dollars. Our average selling price in the first nine months of fiscal 2005 increased 39.2% from the first nine months of fiscal 2004.

Expenses

Our expenses primarily consist of (1) warehouse and delivery expenses, which include occupancy costs, compensation and employee benefits for warehouse personnel, processing, shipping and handling costs, (2) selling expenses, which include compensation and employee benefits for sales personnel, and (3) general and administrative expenses, which include compensation for executive officers and general management, expenses for professional services primarily attributable to accounting and legal advisory services, data communication and computer hardware and maintenance, partially offset by dividend income attributable to our company owned life insurance policies. The majority of our operating expenses are variable and fluctuate with changes in tons shipped. In addition, expenses in fiscal 2003 included a loss on early termination of debt, as described below.

Company Owned Life Insurance

We are the owner and beneficiary of life insurance policies on (1) all former non-union employees of a predecessor company, including certain current employees of EMJ, and (2) key man life insurance policies on certain current and former executives of EMJ and predecessor companies.

These policies, by providing payments to us upon the death of covered individuals and by permitting company borrowings against the cash surrender value of these policies, are designed to provide us cash to repurchase shares held by employees in our stock bonus plan and shares held individually by employees following the termination of their employment. Cash surrender value of the life insurance policies, which was $235.7 million as of December 31, 2004 (against which we have borrowed $203.9 million), increases by a portion of the amount of premiums paid and by dividend income earned under the policies. As specified in the terms of the insurance policies, the rates for dividends payable on the policies correspondingly increase when borrowings are outstanding under the policies. This increase in dividends is greater than the increase in the associated interest expense we incur in connection with borrowing against the cash surrender value of the policies. Dividend income earned under the policies was $17.8 million in fiscal 2004, $17.2 million in fiscal 2003, $13.5 million in fiscal 2002, $15.4 million in the first

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nine months of fiscal 2005 and $12.4 million in the first nine months of fiscal 2004 and is reported as an offset to general and administrative expenses in our consolidated statements of operations. The effect of these company owned life insurance policies on our pre-tax income, which we refer to as COLI effect, is discussed in footnote 8 under the heading Selected Consolidated Financial and Other Data.

Segment

We operate in one reportable segment the metals service center industry through our network of 35 service and processing centers strategically located throughout North America, including four service centers in Canada.

Financial Restructuring

This offering is related to the financial restructuring pursuant to which Holding will be merged into a wholly owned subsidiary of EMJ and we will issue our common stock and cash to stockholders and the noteholder of Holding. Net proceeds from this offering will be used to pay the cash portion of such consideration. See Certain Relationships and Related Transactions for additional information about the financial restructuring.

Critical Accounting Policies

The preparation of our consolidated financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Management believes the critical accounting policies and areas that require the most significant estimates, assumptions and judgments to be used in the preparation of our consolidated financial statements are revenue recognition, allowances for doubtful accounts, inventory reserves, accounting for stock options, pension and other postretirement benefits, insurance reserves, incentive compensation, contingencies and income tax accounting. Because of the uncertainty inherent in these matters, actual results could differ significantly from the estimates, assumptions and judgments we use in applying these critical accounting policies.

Revenue Recognition

We recognize revenue when products are shipped to our customers, title has passed and collectibility is reasonably assured. Revenues are shown net of returns and allowances, which historically have been less than 0.2% of annual revenues.

Allowances for Doubtful Accounts

Accounts receivable consist primarily of amounts due to us from our normal business activities. We establish allowances for doubtful accounts based on estimates of losses related to customer receivable balances. We develop estimates by using formulas or standard quantitative measures

based on accounts aging, historical losses (adjusted for current economic conditions) and, in some cases, evaluating specific customer accounts for risk of loss. We assess our allowances for doubtful accounts on a quarterly basis. Our provision for estimated losses and our write-offs for doubtful accounts recorded during each of the fiscal years ended March 31, 2002, 2003 and 2004 were less than 0.5% of each fiscal year s revenues. However, significant changes in conditions in specific markets that we serve that result in the deterioration of the financial condition of our customers in those markets and, therefore, negatively impact those customers ability to make payments to us, could require an increase in our allowances or cause our allowances to be insufficient to cover actual write-offs.

Inventory Reserves

Inventories largely consist of raw material purchased in bulk quantities from various mill suppliers to be sold to our customers. An allowance for excess inventory is maintained to reflect the expected unsaleability of

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specific inventory items based on condition, recent sales activity and projected market demand. This allowance represented less than 2% of our total inventory as of March 31, 2002, 2003 and 2004.

Accounting for Stock Options.

The financial statements for the reporting periods prior to April 1, 2004 account for employee stock-based compensation plans under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and related Financial Accounting Standards Board (FASB) interpretations. Accordingly, compensation costs for employee stock options were measured as the excess, if any, of the estimated market price of Holding common stock at the date of grant over the appraised value, as of the latest valuation date, of the common stock on the date of grants.

During the third quarter ended December 31, 2004, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, under the modified-prospective transition method, for all employee awards granted, modified or settled after April 1, 2004, as permitted by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure An Amendment of FASB Statement No. 123*. In accordance with SFAS No. 123, we estimated the fair value of options using an option-pricing model that takes into account assumptions such as the dividend yield, the risk-free interest rate, and the expected life of the options. Our common stock is not currently traded on a national securities exchange or an over-the-counter market, and therefore an effectively zero percent volatility was used. The dividend yield is excluded from the calculation, as it is our present intention to retain all future earnings. As a result of the adoption of SFAS No. 123, and in accordance with its provisions, we recorded a non-cash stock compensation charge of $1,557,000 in the third quarter of fiscal 2005 for the modifications, as defined in SFAS No. 123, made to outstanding Holding options during the quarter. See Management Holding Stock Option Plan for a discussion of the modification to outstanding Holding options.

Pension and Other Postretirement Benefits

We develop our pension and other postretirement benefit costs and credits from actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected return on plan assets. We are required to consider current market conditions, including changes in interest rates, in selecting these assumptions. Changes in the related pension and other postretirement benefit costs or credits may occur in the future due to changes in the assumptions, as well as due to fluctuations in our related headcount. In April 2004, we made an annual contribution of $700,000 to our hourly employee pension plan as a result of changes in assumptions. We expect to make annual payments of $700,000 over the next four years and $400,000 thereafter to meet Employee Retirement Income Security Act of 1974, or ERISA, minimum pension funding requirements.

Insurance Reserves

Our insurance for workers compensation, general liability, vehicle liability and, to a certain extent, health care are effectively self-insured. We use third-party administrators to process all such claims. Our third-party administrators use claims for worker s compensation, along with other factors, to establish reserves required to cover our worker s compensation liability. We also maintain reserves to cover expected medical claims to be paid subsequent to the end of a plan year or upon termination of the plan. Our management reviews our reserves associated with the exposure to these self-insured liabilities for adequacy at the end of each reporting period.

Incentive Compensation

Management incentive plans are tied to various financial performance metrics. Bonus accruals made throughout the year are based on management s best estimate of the achievement of the specific financial metrics. We make adjustments to the accruals on a quarterly basis as forecasts of financial performance are updated. At year-end, we adjust the accruals to reflect the actual results achieved.

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Contingencies

We are subject to proceedings, lawsuits and other claims related to environmental, labor, product and other matters. We assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses. We make a determination of the amount of reserves required, if any, for these contingencies after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

Income Taxes

We estimate our current tax liability after considering our temporary differences resulting from differing treatment of items, such as depreciation, for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we will establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we will include and expense the allowance within the tax provision in our statement of operations. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets.

Results of Operations

The following table sets forth selected operating results, including as a percentage of revenues, for the periods indicated:

	Fiscal Year Ended March 31,						Three Months Ended				Nine Months Ended			
							January 1,		December 31,		January 1,		December 31,	
	2002	%	2003	%	2004	%	2004	%	2004	%	2004	%	2004	%
	(dollars in thousands)													
Statement of Operations Data:														
Revenues	$ 895,058	100.0%	$ 919,927	100.0%	$ 1,040,367	100.0%	$248,785	100.0%	$ 401,683	100.0%	$ 718,301	100.0%	$ 1,152,589	100.0%
Gross profit	253,067	28.3	261,365	28.4	286,101	27.5	68,805	27.7	107,751	26.8	199,907	27.8	323,854	28.1
Expenses	204,713	22.9	210,277	22.9	216,629	20.8	54,102	21.7	91,347	22.7	154,970	21.6	220,091	19.1
Income from operations	48,354	5.4	51,088	5.6	69,472	6.7	14,703	5.9	16,404	4.1	44,937	6.3	103,763	9.0
Net interest expense	42,545	4.8	47,206	5.1	51,093	4.9	12,995	5.2	14,101	3.5	38,205	5.3	40,534	3.5
Income before income taxes	5,809	0.6	3,882	0.4	18,379	1.8	1,708	0.7	2,303	0.6	6,732	0.9	63,229	5.5
Net income	5,354	0.6	2,382	0.3	15,252	1.5	1,237	0.5	4,285	1.1	5,284	0.7	52,932	4.6

Three Months Ended December 31, 2004 Compared to Three Months Ended January 1, 2004

Revenues. Revenues for the third quarter of fiscal 2005 increased 61.5% to $401.7 million, from $248.8 million for the same period in fiscal 2004, reflecting a 14.1% increase in tons shipped from stock inventory and a 51.1% increase in average selling prices when compared to the third quarter of fiscal 2004. Revenues from our domestic operations increased 60.8% to $372.0 million in the third quarter of fiscal 2005, from $231.4 million for the same period in fiscal 2004. The increase was due to stronger demand for products sold to customers in certain industries we serve, including fluid power, machine tools, metal service centers and wholesale trade and industrial equipment, partially offset by a decline in demand from customers in transportation. Revenues from our Canadian operations increased 70.7% to $29.7 million in the third quarter of fiscal 2005, from $17.4 million in the same period in fiscal 2004, due to increased capacity and efficiencies from newer facilities, effective marketing of core products and services and overall stronger economic conditions. Revenues for the third quarter were higher than

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our second quarter, which is a departure from the seasonal slow down that we have historically experienced in the third quarter. While our tons shipped reflected the seasonal pattern, the higher price of materials that we passed on to customers in higher prices for our products caused revenues to increase over the second quarter of fiscal 2005.

Gross Profit. Gross profit for the third quarter of fiscal 2005 increased 56.7% to $107.8 million, from $68.8 million for the same period in fiscal 2004, while gross margins were 26.8% and 27.7%, respectively. Our gross profit increased due to improved customer demand and market conditions. Our gross margins decreased primarily due to industry wide price increases in the cost of metals and a slight increase in competitive conditions. Such price increases were reflected in our inventory purchases resulting in a charge of $18.1 million in the third quarter of fiscal 2005 to cost of sales to value inventory on a last-in-first-out basis (LIFO), compared to $0.5 million in the same period in fiscal 2004. Gross profit and gross margin from our domestic operations were $99.7 million and 26.8%, respectively, during the third quarter of fiscal 2005, compared to $64.5 million and 27.9%, respectively, for the same period in fiscal 2004. Gross profit and gross margin from our Canadian operations were $8.1 million and 27.3%, respectively, during the third quarter of fiscal 2005, compared to $4.3 million and 24.7%, respectively, for the same period in fiscal 2004.

Expenses. Total operating expenses for the third quarter of fiscal 2005 increased 68.8% to $91.3 million, from $54.1 million for the same period in fiscal 2004. As a percentage of revenues, operating expenses were 22.7% in the third quarter of fiscal 2005, compared to 21.7% for the same period in fiscal 2004. Operating expenses were impacted in the third quarter of fiscal 2005 by the $17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares, based on the market price of our common stock, at the end of each reporting period; the fair market value of these 2,461,547 uncontributed shares at December 31, 2004 was $6.61 per share), the $6.3 million termination fee paid to Kelso in connection with an amendment to our financial advisory agreement with Kelso, the $3.5 million performance bonus paid to Mr. Nelson, our chief executive officer, and the non-cash charge of $1.6 million in connection with the adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and modification of terms of existing options. Additionally, increases in operating expenses generally reflects the changes in variable expenses as impacted by higher tons shipped, rising prices for freight and fuel, higher compensation and benefit costs, higher repair and maintenance costs for building and equipment and costs associated with the relocation and improvement of certain facilities. These higher expenses were partially offset by net gains from the sale of redundant properties in Houston and Tulsa and lower leased equipment expense. Fiscal 2004 third quarter expenses were partially offset by income attributable to our company owned life insurance programs.

Warehouse and delivery expenses for the third quarter of fiscal 2005 increased 18.3% to $40.0 million, from $33.8 million for the same period in fiscal 2004. As a percentage of revenues, warehouse and delivery expenses were 10.0% in the third quarter of fiscal 2005, compared to 13.6% for the same period in fiscal 2004. The increase in these expenses resulted primarily from higher freight and fuel prices due to higher tons shipped, higher compensation and benefits costs and higher equipment and building maintenance costs, partially offset by lower leased equipment expense.

Selling expenses for the third quarter of fiscal 2005 increased 15.5% to $9.7 million, from $8.4 million for the same period in fiscal 2004, and decreased as a percentage of revenues to 2.4% in the third quarter of fiscal 2005 from 3.4% in the third quarter of fiscal 2004. The increase in selling expenses resulted from higher incentive accruals for sales personnel due to record sales levels, overtime and vehicle lease expense. Selling incentives, however, have been declining quarterly since the first quarter of fiscal 2005 as the comparable growth levels used to calculate the incentives decrease. For example, selling incentives decreased by 54.0% for the third quarter of fiscal 2005 from the second quarter of fiscal 2005. Beginning the second quarter of fiscal 2005, selling incentives have been based on an inflation-adjusted growth for fiscal 2006 and are expected to return to more traditional levels.

General and administrative expenses for the third quarter of fiscal 2005 increased 250.4% to $41.7 million, from $11.9 million for the same period in fiscal 2004. These expenses were 10.4% of revenues in the third quarter

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of fiscal 2005 and 4.8% of revenues in the same period in fiscal 2004. General and administrative expenses include the $17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares, based on the market price of our common stock, at the end of each reporting period; the fair market value of these 2,461,547 uncontributed shares at December 31, 2004 was $6.61 per share), the $6.3 million termination fee paid to Kelso in connection with an amendment to our financial advisory agreement with Kelso, the $3.5 million performance bonus paid to Mr. Nelson, our chief executive officer, and the non-cash charge of $1.6 million for our adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and modification of terms of existing options. Additionally, increases in general and administrative expenses resulted from higher compensation and costs associated with the relocation and improvement of certain facilities, partially offset by a net gain from the sale of redundant properties. Fiscal 2004 expenses included costs associated with the corporate office move from Brea, California to Lynwood, California, partially offset by income attributable to our company owned life insurance programs.

As soon as practicable after, and conditioned upon consummation of the financial restructuring and this public offering, we have committed to pay a taxable public offering bonus of $8.5 million to our employees on the closing date who are also participants in the stock bonus plan. Our expenses for the first quarter of fiscal 2006 will be adversely impacted by this charge.

Net Interest Expense. Net interest expense was $14.1 million during the third quarter of fiscal 2005 and $13.0 million during the same period in fiscal 2004. These amounts include interest related to our long-term debt and borrowings against the cash surrender value of company owned life insurance policies we maintain, and the amortization of debt issue costs ($0.3 million in the third quarter of fiscal 2005 and $0.3 million in the third quarter of fiscal 2004).

During the third quarter of fiscal 2005, the average outstanding indebtedness (excluding borrowings against the cash surrender value of our company owned life insurance policies) was $369.7 million versus $363.3 million during the same period in fiscal 2004. The weighted-average interest rate on such indebtedness during the third quarter of fiscal 2005 was 8.0% versus 7.7% during the same period in fiscal 2004. The average borrowings under our domestic credit facility in the third quarter of fiscal 2005 increased to $115.1 million from $107.1 million in the same period of fiscal 2004, and the average interest rate on such borrowings was 5.0% and 4.0%, respectively. The increase in average borrowings reflected the increased demand and pricing for the products we sell, which resulted in significant increases in inventory and accounts receivable.

The outstanding borrowings against the cash surrender value of our company owned life insurance policies were $203.9 million at December 31, 2004 and $183.0 million at January 1, 2004, and the total interest expense on these borrowings increased to $6.0 million during the third quarter of fiscal 2005, compared to $5.2 million for the same period in fiscal 2004. These increases resulted primarily from additional borrowings of $21.6 million against the increased cash surrender value of our company owned life insurance policies in the first nine months of fiscal 2005 to pay annual premiums on the policies and to pay interest on previous borrowings, as described under Liquidity and Capital Resources below.

Income Taxes. We realized an income tax benefit of $2.0 million for the third quarter of fiscal 2005, compared to a tax expense of $471,000 for the same period in fiscal 2004. Our tax benefit for the three months ended December 31, 2004 of $2.0 million was due to the reduction in our estimated annual taxable income and the resultant reduction in our estimated effective tax rate for federal, state, and foreign income taxes. The reduction in our estimated effective annual tax rate required us to record a benefit so that our year-to-date effective tax rate approximates our estimated effective annual tax rate. The reduction in estimated annual income was primarily due to the $17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares, based on the market price of our common stock, at the end of each reporting period; the fair market value of these 2,461,547 uncontributed shares at December 31, 2004 was $6.61 per share); the charge for the $3.5 million performance bonus paid to Mr. Nelson, our chief executive officer; the non-recurring charge for the $6.3 million termination fee paid to Kelso in

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connection with an amendment to our financial advisory agreement with Kelso; and the non-cash charge of $1.6 million in connection with our adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and the modification of terms of existing options.

The tax expense for the third quarter of fiscal 2004 included provisions for state franchise and foreign income taxes only, as our federal tax provisions were offset by recognition of tax benefits associated with our net loss carryforwards.

Nine Months Ended December 31, 2004 Compared to Nine Months Ended January 1, 2004

Revenues. Revenues for the first nine months of fiscal 2005 increased 60.5 % to $1,152.6 million, from $718.3 million for the same period in fiscal 2004, reflecting a 23.1% increase in tons shipped from stock inventory and a 39.2% increase in average selling prices when compared to the first nine months of fiscal 2004. Revenues from our domestic operations increased 60.3% to $1,075.2 million in the first nine months of fiscal 2005, from $670.6 million for the same period in fiscal 2004. The increase was due to stronger demand for products sold to customers in certain industries we serve, including screw machine products, fluid power, machine tools and fabricated metal. Revenues from our Canadian operations increased 62.3% to $77.4 million in the first nine months of fiscal 2005, from $47.7 million in the same period in fiscal 2004, due to increased capacity and efficiencies from newer facilities, effective marketing of core products and services and overall stronger economic conditions.

Gross Profit. Gross profit for the first nine months of fiscal 2005 increased 62.0% to $323.9 million, from $199.9 million for the same period in fiscal 2004, while gross margins were 28.1% and 27.8%, respectively. Our gross profit and gross margins increased due to improved customer demand and market conditions, primarily in the first six months of fiscal 2005 when limited supplies of many of the products we sell allowed us to pass through increased pricing to our customers before we received higher cost metal products in our inventory. Our increased cost of metals resulted in a charge to cost of sales to record results on a last in first out basis (LIFO) of $42.5 million in the first nine months of fiscal 2005, compared to $0.5 million in the same period in fiscal 2004. Gross profit and gross margin from our domestic operations were $302.4 million and 28.1%, respectively, during the first nine months of fiscal 2005, compared to $188.3 million and 28.1%, respectively, for the same period in fiscal 2004. Gross profit and gross margin from our Canadian operations were $21.5 million and 27.8%, respectively, during the first nine months of fiscal 2005, compared to $11.6 million and 24.3%, respectively, for the same period in fiscal 2004.

Expenses. Total operating expenses for the first nine months of fiscal 2005 increased 42.0% to $220.1 million, from $155.0 million for the same period in fiscal 2004. As a percentage of revenues, operating expenses were 19.1% in the first nine months of fiscal 2005, compared to 21.6% for the same period in fiscal 2004. Operating expenses were impacted in the first nine months of fiscal 2005 by the $17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares, based on the market price of our common stock, at the end of each reporting period; the fair market value of these 2,461,547 uncontributed shares at December 31, 2004 was $6.61 per share), the $6.3 million termination fee paid to Kelso in connection with an amendment to our financial advisory agreement with Kelso, the $3.5 million performance bonus paid to Mr. Nelson, our chief executive officer, and the non-cash charge of $1.6 million in connection with our adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and the modification of terms of existing options. Additionally, increases in operating expenses for the first nine months of fiscal 2005 generally reflect the changes in variable expenses impacted by higher tons shipped, rising prices for freight and fuel and higher compensation and benefit costs.

Warehouse and delivery expenses for the first nine months of fiscal 2005 increased 17.6% to $116.1 million, from $98.7 million for the same period in fiscal 2004. As a percentage of revenues, warehouse and delivery expenses were 10.1% in the first nine months of fiscal 2005, compared to 13.7% for the same period in fiscal 2004. The increase in these expenses resulted primarily from higher freight and fuel prices due to higher tons

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shipped, higher overtime and temporary labor expense and higher equipment and building maintenance expenses, partially offset by lower leased equipment expense. In addition, we recorded a $1.5 million charge in the first nine months of 2005 to reserve for specialized equipment operating lease obligations related to a parts fabrication contract that was terminated early by the customer.

Selling expenses for the first nine months of fiscal 2005 increased 40.0% to $35.0 million, from $25.0 million for the same period in fiscal 2004, and decreased as a percentage of revenues to 3.0% in the first nine months of fiscal 2005 from 3.5% in the first nine months of fiscal 2004. The increase in selling expenses resulted from higher incentive accruals for sales personnel due to record sales levels.

General and administrative expenses for the first nine months of fiscal 2005 increased 120.8% to $69.1 million, from $31.3 million for the same period in fiscal 2004. These expenses were 6.0% of revenues in the first nine months of fiscal 2005 and 4.4% of revenues in the same period of fiscal 2004. Operating expenses were impacted in the third quarter of fiscal 2005 by the $17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares, based on the market price of our common stock, at the end of each reporting period; the fair market value of these 2,461,547 uncontributed shares at December 31, 2004 was $6.61 per share), the $6.3 million termination fee paid to Kelso in connection with an amendment to our financial advisory agreement with Kelso, the $3.5 million bonus paid to Mr. Nelson, our chief executive officer, and the non-cash charge of $1.6 million in connection with our adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and the modification of terms of existing options. Additionally, increases in these expenses resulted from higher compensation expense and costs associated with the relocation and improvement of certain facilities. Expenses for the first nine months of fiscal 2005 and fiscal 2004 were partially offset by a gain on sale of redundant real estate of $2.2 million and $1.1 million, respectively. Fiscal 2004 expenses were offset by income recognized in connection with our company owned life insurance programs.

Net Interest Expense. Net interest expense was $40.5 million during the first nine months of fiscal 2005 and $38.2 million during the same period in fiscal 2004. These amounts include interest related to our long-term debt and borrowings against the cash surrender value of company owned life insurance policies we maintain, and the amortization of debt issue costs ($1.0 million in the first nine months of fiscal 2005 and 2004).

During the first nine months of fiscal 2005, the average outstanding indebtedness (excluding borrowings against the cash surrender value of our company owned life insurance policies) was $369.3 million versus $361.2 million during the same period in fiscal 2004. The weighted average interest rate on such indebtedness during the first nine months of fiscal 2005 was 8.0% versus 7.9% during the same period in fiscal 2004. The average borrowings under our domestic credit facility in the first nine months of fiscal 2005 increased to $114.0 million from $104.3 million in the same period of fiscal 2004, and the average interest rate was 4.5% for the first nine months of fiscal 2005 compared to 4.0% in the same period in fiscal 2004. The increase in average borrowings reflected the increased demand and pricing for the products we sell, which resulted in significant increases in inventory and accounts receivable.

The outstanding borrowings against the cash surrender value of our company owned life insurance policies were $203.9 million at December 31, 2004 and $183.0 million at January 1, 2004, and the total interest expense on these borrowings increased to $16.7 million during the first nine months of fiscal 2005, compared to $15.1 million for the same period in fiscal 2004. These increases resulted primarily from additional borrowings of $21.6 million against the increased cash surrender value of our company owned life insurance policies in the first nine months of fiscal 2005 to pay annual premiums on the policies and to pay interest on previous borrowings, as described under Liquidity and Capital Resources below.

Income Taxes. Income tax expense for the first nine months of fiscal 2005 was $10.3 million compared to $1.4 million for the first nine months of fiscal 2004. Our effective tax rate for fiscal 2005 is estimated at 16.3%, and is based on our estimated annual taxable income tax rate for fiscal 2005, compared to an effective tax rate of

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21.5% in 2004. Income tax expense for fiscal 2005 includes provisions for federal, state franchise, and foreign income taxes, and fiscal 2004 tax expense includes provisions for state franchise and foreign income taxes. The reduction in the effective tax rate in fiscal 2005 when compared to fiscal 2004, was due to our Canadian pretax income, which is taxed at a higher tax rate, making up a larger portion of consolidated pretax income in fiscal 2004. The federal tax rate for the first nine months of fiscal 2005 was 7.6% of domestic pretax income, and was lower than the U.S. federal statutory tax rate primarily due to recognition of tax benefits associated with the utilization of loss carryforwards.

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

Revenues. Revenues for fiscal 2004 increased 13.1% to $1,040.4 million, compared to $919.9 million in fiscal 2003. Revenues from our domestic operations increased 12.1% to $970.4 million in fiscal 2004, compared to $865.5 million in fiscal 2003, primarily as the result of an increase in tons shipped. The increase in tons shipped by our domestic operations was attributable to increased demand for our products sold to customers in certain industries we serve, including oil, gas and energy, fluid power and machine tools, particularly during the fourth quarter of fiscal 2004. Revenues also increased in fiscal 2004 as a result of an increase in prices for the products we sold during fiscal 2004 as compared to fiscal 2003. Revenues from our Canadian operations for fiscal 2004 increased 28.7% to $70.0 million, compared to $54.4 million in fiscal 2003, due to increased capacity and efficiencies from new facilities, effective marketing of core products and services, overall improved economic conditions and favorable currency conversion rates.

Gross Profit. Gross profit increased 9.4% to $286.1 million in fiscal 2004, compared to $261.4 million in fiscal 2003. Gross margin decreased to 27.5% in fiscal 2004, compared to 28.4% in fiscal 2003. The decrease in gross margin was due to increased pricing levels and surcharges imposed by metals producers that resulted in increased costs of metals during the fourth quarter of fiscal 2004. Our increased costs of metals resulted in a LIFO charge of $14.3 million compared to a decrease in costs of metals for fiscal 2003 resulting in a $3.4 million LIFO credit. Gross profit and gross margin from our domestic operations were $268.2 million and 27.6%, respectively in fiscal 2004, compared to $249.8 million and 28.9%, respectively, for fiscal 2003. Gross profit and gross margin from our Canadian operations were $17.9 million and 25.6%, respectively, in fiscal 2004 compared to $11.6 million and 21.3%, respectively, in fiscal 2003.

Expenses. Total operating expenses were $216.6 million in fiscal 2004, compared to $210.3 million in fiscal 2003. As a percentage of revenues, operating expenses were 20.8% in fiscal 2004, compared to 22.9% in fiscal 2003. The increase in operating expenses generally reflected the changes in variable expenses impacted by higher tons shipped and added capacity, partially offset by no loss resulting from early termination debt in fiscal 2004 compared to a loss of $12.3 million resulting from early termination of debt in fiscal 2003. In addition, fiscal 2004 included higher costs for healthcare and workers compensation insurance, selling and management incentives and professional services, partially offset by income attributable to our company owned life insurance programs and gains on sale of surplus properties.

Warehouse and delivery expenses increased $8.3 million to $135.4 million in fiscal 2004, compared to $127.1 million in fiscal 2003. As a percent of revenues, warehouse and delivery expenses were 13.0% in fiscal 2004, compared to 13.8% in fiscal 2003. The increase in these expenses was attributable to higher costs for healthcare and workers compensation insurance and increased expenses for utilities, maintenance, fuel and freight.

Selling expenses increased $6.0 million or 18.6%, to $38.3 million in fiscal 2004, compared to $32.3 million in fiscal 2003, and increased as a percentage of revenues to 3.7% in fiscal 2004 from 3.5% in fiscal 2003. The increase in selling expenses was attributable to higher accruals for incentive compensation due to rapid growth in revenues and gross profit in the fourth quarter of fiscal 2004, and higher healthcare insurance.

General and administrative expenses decreased $7.9 million, or 15.5%, to $43.0 million in fiscal 2004, compared to $50.9 million in fiscal 2003. These expenses were 4.1% of revenues in fiscal 2004 and 5.5% of

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revenues in fiscal 2003. The increase in these expenses reflected higher healthcare and casualty and liability insurance, an increase in professional services and higher accruals for management incentives, partially offset by higher income recognized in connection with our dividends earned under our company owned life insurance policies, currency exchange gains and gains on sale of surplus property. The increase in professional services was primarily attributable to accounting, legal and financial advisory fees in connection with our financial restructuring as initially proposed.

We recognized a loss on early retirement of debt of $12.3 million in fiscal 2003 in connection with the early retirement of our 9 1/2% senior notes and term loan, which consisted of the call premium paid, a payment to terminate an interest rate swap agreement, the write-off of deferred financing costs, and certain other expenses incurred in connection with the refinancing transaction. No tax benefit was recorded in connection with this loss due to the uncertainty in realizing the resulting deferred tax asset.

Net Interest Expense. Net interest expense was $51.1 million in fiscal 2004 and $47.2 million in fiscal 2003. These amounts include interest related to our long-term debt and borrowings against the cash surrender value of company owned life insurance policies we maintain, and the amortization of debt issue costs ($1.3 million in fiscal 2004 and $1.4 million in fiscal 2003).

During fiscal 2004, the average outstanding indebtedness (excluding borrowings against the cash surrender value of our company owned life insurance policies) was $361.0 million versus $355.5 million during fiscal 2003. The weighted-average interest rate on such indebtedness during both fiscal 2004 and fiscal 2003 was 8.0%. The average borrowings under our domestic credit facility in fiscal 2004 increased to $104.3 million from $96.4 million in fiscal 2003, and the average interest rate decreased to 4.2% from 4.7% in fiscal 2003. The increase in average borrowings reflected the increased demand and pricing for products we sell.

The outstanding borrowings against the cash surrender value of our company owned life insurance policies were $182.6 million at March 31, 2004 and $165.0 million at March 31, 2003, and the total interest expense on these borrowings increased to $20.1 million in fiscal 2004, compared to $17.8 million in fiscal 2003. These increases resulted primarily from additional borrowings of $17.7 million against the increased cash surrender value of our company owned life insurance policies in November 2003 to pay annual premiums on the policies and to pay interest on previous borrowings.

Fiscal Year Ended March 31, 2003 Compared to Fiscal Year Ended March 31, 2002

Revenues. Revenues for fiscal 2003 increased 2.8% to $919.9 million, compared to $895.1 million in fiscal 2002. Revenues from our domestic operations increased 1.7% to $865.5 million in fiscal 2003, compared to $851.4 million in fiscal 2002, as the result of an increase in tons shipped. The increase in tons shipped by our domestic operations was attributable to increased demand for our products sold to customers in certain industries we serve, including machine tools and products, metal fabrication and wholesale, fluid power, and transportation, particularly during the fourth quarter of fiscal 2003. Revenues from our Canadian operations increased 24.5% to $54.4 million, compared to $43.7 million in fiscal 2002, due to increased capacity and efficiencies from new facilities, effective marketing of core products and services and overall improved economic conditions.

Gross Profit. Gross profit increased 3.3% to $261.4 million in fiscal 2003, compared to $253.1 million in fiscal 2002. Gross margin improved to 28.4%, compared to 28.3% in fiscal 2002. During fiscal 2002 and 2003, the metals service center industry was adversely impacted by weak economic conditions and weakened demand due to the uncertainty of an economic recovery. Costs for metal products were volatile due to competitive pressures resulting in decreased costs of metals. Our decreased costs of metals resulted in a LIFO credit of $3.4 million in fiscal 2003 compared to a charge of $0.6 million in fiscal 2002. Gross profit and gross margin from our domestic operations were $249.8 million and

28.9%, respectively, in fiscal 2003, compared to $243.6 million and 28.6%, respectively, for fiscal 2002. Gross profit and gross margin from our Canadian operations were $11.6 million and 21.3%, respectively, in fiscal 2003, compared to $9.5 million and 21.7%, respectively, in fiscal 2002.

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Expenses. Total operating expenses were $210.3 million in fiscal 2003, compared to $204.7 million in fiscal 2002. As a percentage of revenues, operating expenses were 22.9% in both fiscal 2003 and in fiscal 2002. During fiscal 2003, expenses related to warehouse and delivery activities increased as a result of higher volumes shipped and from costs associated with added capacity. However, these costs were partially offset by income attributable to our company owned life insurance policies and adjustments to workers compensation reserves. Operating expenses in fiscal 2003 included a $12.3 million loss on early retirement of debt, while operating expenses in fiscal 2002 included $1.9 million of restructuring charges associated with workforce reductions and costs incurred in connection with facility consolidations.

Warehouse and delivery expenses increased $2.6 million, or 2.1%, to $127.1 million in fiscal 2003, compared to $124.5 million in fiscal 2002. As a percentage of revenues, warehouse and delivery expenses were 13.8% in fiscal 2003, compared to 13.9% in fiscal 2002. The increase in these expenses was attributable to higher depreciation, property tax accruals and insurance costs, increased equipment lease and maintenance expenses, and higher freight and utilities costs. Some of the increase in these costs and expenses is attributable to the expansion and automation of our Chicago facility, which became operational in July 2002.

Selling expenses increased $0.4 million, or 1.3%, to $32.3 million in fiscal 2003, compared to $31.9 million in fiscal 2002, and decreased as a percentage of revenues to 3.5% in fiscal 2003 from 3.6% in fiscal 2002. The increase in selling expenses was attributable to higher accruals for incentive compensation based on revenue and gross profit levels.

General and administrative expenses increased $2.6 million, or 5.4%, to $50.9 million in fiscal 2003, compared to $48.3 million in fiscal 2002. These expenses were 5.5% of revenues in fiscal 2003 and 5.4% of revenues in fiscal 2002. The decrease in general and administrative expenses was attributable to higher income recognized in connection with our company owned life insurance policies, lower reserves required for workers compensation claims, and lower professional services and relocation expenses, partially offset by higher compensation expense, including accruals for management incentives, and higher provisions for bad debt. General and administrative expenses in fiscal 2002 also included a $1.9 million restructuring charge associated with workforce reductions and costs incurred in connection with facility consolidations.

As disclosed above, we recognized loss on early retirement of debt of $12.3 million in fiscal 2003 in connection with the early retirement of our 9 1/2% senior notes and term loan.

Net Interest Expense. Net interest expense was $47.2 million in fiscal 2003 and $42.5 million in fiscal 2002. These amounts include interest related to our long-term debt and borrowings against the cash surrender value of company owned life insurance policies we maintain, and the amortization of debt issue costs ($1.4 million in fiscal 2003 and $1.8 million in fiscal 2002).

During fiscal 2003, the average outstanding indebtedness (excluding borrowings against the cash surrender value of our company owned life insurance policies) was $355.5 million versus $310.5 million in fiscal 2002. The weighted-average interest rate on such indebtedness during fiscal 2003 was 8.0% versus 7.1% during fiscal 2002. The average borrowings under our domestic credit facility in fiscal 2003 decreased to $96.4 million from $99.2 million in fiscal 2002, primarily due to decreased expenditures related to the automated warehouse system installation at our Chicago facility, and the average interest rate decreased to 4.7% in fiscal 2003 from 5.1% in fiscal 2002.

The outstanding borrowings against the cash surrender value of our company owned life insurance policies were $165.0 million at March 31, 2003 and $147.3 million at March 31, 2002, and the total interest expense on these borrowings increased to $17.8 million in fiscal 2003, compared to $16.0 million in fiscal 2002. These increases resulted primarily from additional borrowings of $18.6 million against the increased cash surrender value of our company owned life insurance policies in November 2002 to pay annual premiums on the policies and to pay interest on previous borrowings.

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Included in net interest expenses for fiscal 2002 was $2.2 million of net interest paid in quarterly settlements pursuant to our interest rate swap agreement covering a notional amount of $95.0 million under our term loan. Because the interest rate swap agreement was terminated in May 2002 in connection with the prepayment of the term loan as part of our senior debt offering, no quarterly settlements were required in fiscal 2003.

Quarterly Results of Operations

The following table presents our unaudited quarterly results of operations for the periods indicated. We derived these data from our unaudited consolidated interim financial statements, which, in the opinion of our management, include all adjustments necessary to present fairly the financial information for the periods presented. You should read this information along with our consolidated financial statements and their related notes in this prospectus. Seasonal fluctuations in our business generally occur in July, November and December, when many customers plants and production levels are impacted by retooling, vacations or holidays. Our operating results in any given quarter or series of quarters are not necessarily indicative of our results that may be expected for a full year or any future period.

	Quarter Ended										
	Jun 27, 2002	Sep 27, 2002	Dec 31, 2002	Mar 31, 2003	Jun 30, 2003	Sep 29, 2003	Jan 1, 2004	Mar 31, 2004	Jun 30, 2004	Sep 29, 2004	Dec 31, 2004
	(in thousands, except per share data) (unaudited)										
Statement of Operations Data:											
Revenues	$ 225,133	$ 225,231	$ 223,573	$ 245,990	$ 238,299	$ 231,216	$ 248,785	$ 322,067	$ 361,636	$ 389,270	$ 401,683
Gross profit	63,266	63,612	63,719	70,768	66,862	64,240	68,805	86,194	105,561	110,542	107,751
Expenses	60,885	49,763	49,903	49,726	50,621	50,249	54,102	61,657	65,895	62,849	91,347
Income from operations	2,381	13,849	13,816	21,042	16,241	13,991	14,703	24,537	39,666	47,693	16,404
Net interest expense	10,368	12,189	12,529	12,120	12,628	12,583	12,995	12,888	13,112	13,321	14,101
Net income (loss)	(8,335)	1,556	1,153	8,008	2,794	1,250	1,237	9,970	21,957	26,690	4,285
Pro forma net income (loss) available to common stockholders(1)	(18,503)	(9,700)	(10,326)	(3,860)	(9,423)	(10,812)	(7,800)	(6,155)	9,407	13,163	3,102
Pro forma net income (loss) available to common stockholders per share(1)(2)											
Basic	$ (1.55)	$ (0.81)	$ (0.88)	$ (0.33)	$ (0.81)	$ (0.93)	$ (0.68)	$ (0.54)	$ 0.82	$ 1.15	$ 0.27
Diluted	$ (1.55)	$ (0.81)	$ (0.88)	$ (0.33)	$ (0.81)	$ (0.93)	$ (0.68)	$ (0.54)	$ 0.61	$ 0.85	$ 0.20
Pro forma weighted average shares outstanding(1)(2)											
Basic	11,905	11,905	11,776	11,691	11,637	11,632	11,516	11,433	11,405	11,403	11,286
Diluted									15,467	15,465	15,314

(1) For accounting purposes, the financial restructuring will be accounted for as a transfer of assets and exchange of shares between entities under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, the financial position and results of operations and share data of Holding are included in the pro forma information on a historical cost basis. The total pro forma adjustments to net income (loss) for the quarterly periods reported consist of net interest expense for Holding, dividends accrued for the Holding series A preferred stock, dividends declared and paid-in-kind for the Holding series B preferred stock and certain management fees charged to EMJ by Holding that are not eliminated in consolidation.

(2) The pro forma basic and diluted per share information is computed based on the weighted average number of shares of common stock outstanding for each period. The computation of pro forma diluted per share information includes the dilutive effect of common stock equivalents for outstanding options and warrants exercisable for common stock using the treasury stock method for the periods in which they are dilutive.

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Liquidity and Capital Resources

Working Capital. Working capital increased to $226.1 million at December 31, 2004, from $139.5 million at March 31, 2004. The increase was attributable to an increase in inventories of $98.6 million, or 43.3%, exclusive of our non-cash LIFO charge of $42.5 million in fiscal 2005, due to higher prices for metal products, increased tons and changes in inventory mix and an increase in net accounts receivable of $40.8 million, or 30.6%, due to the rapid growth of sales, partially offset by an increase in accounts payable and accrued liabilities. During the first nine months of fiscal 2005, our primary source of cash consisted of borrowings under our credit facilities, which increased by $39.2 million to $92.7 million at December 31, 2004 from $53.5 million at March 31, 2004. Our primary uses of cash in the first nine months of fiscal 2005 included $22.9 million to fund operating activities, compared to $27.3 million in the same period of fiscal 2004, and $19.6 million for capital expenditures, compared to $6.8 million in the same period of fiscal 2004 when compared to fiscal 2005. The decrease in cash used in operating activities was primarily attributable to higher net income offset by increases in inventory to support sales growth, higher prices for metal products and higher accounts receivable due to increased sales.

Working capital decreased to $139.5 million at March 31, 2004 when compared to $150.2 million at March 31, 2003. The decrease was attributable to an increase in our accounts payable and accrued liabilities of $55.2 million resulting from increased demand during the fourth quarter of fiscal 2004, partially offset by higher accounts receivable of $35.8 million and an increase in our inventory of $11.7 million. Our primary sources of cash in fiscal 2004 consisted of funds provided by operations of $29.5 million and proceeds from sale of assets of $1.5 million. Our primary uses of cash in fiscal 2004 consisted of (1) capital expenditures of $10.5 million, (2) dividends to Holding of $5.8 million for the redemption of stock from retiring and terminated EMJ employees and (3) net payments under our credit facilities of $19.4 million. The redemption of $5.8 million of Holding capital stock from retiring and terminated EMJ employees was required by the terms of our stock bonus plan and by the Holding s stockholders agreement. This amount was lower than the amount paid in fiscal 2003 and in fiscal 2002 due to the timing of distributions, the number and mix of shares being purchased and changes in stock prices. We expect that these redemptions for fiscal 2005 will be similar to those paid in fiscal 2004, although the amount or timing of these expenditures is not within our control and there can be no assurance in this regard. Effective upon the consummation of this offering and the financial restructuring, we will assume Holding s obligations under the stock bonus plan and participants will no longer have the right to put shares of Holding common stock to Holding or us upon termination of their employment.

Capital Expenditures. Capital expenditures were $10.5 million in fiscal 2004, $15.3 million in fiscal 2003 and $24.5 million in fiscal 2002. Capital expenditures in fiscal 2004 were primarily for routine replacement of machinery and equipment, facility improvements and expansions, including the expansion and automation of our facility in Chicago, and the purchase of computer hardware and software. For the first nine months of fiscal 2005, our capital expenditures totaled $19.6 million, of which $9.0 million was spent on the relocation of our facility within Houston, Texas, relocation of our Chattanooga, Tennessee satellite facility to a new satellite facility in Birmingham, Alabama and expansion of a facility in Wrightsville, Pennsylvania, $6.0 million was spent on routine replacement of machinery and equipment, $3.7 million was spent on facility improvements and $0.9 million was spent on additions and enhancements to our information systems. We spent approximately $2.9 million on additional capital expenditures during the fourth quarter of fiscal 2005. Our board of directors has approved spending of approximately $25.3 million on capital expenditures during fiscal 2006, primarily for expanding the Kasto system in Chicago and other facility improvements and expansions, new satellite facilities, routine replacement of machinery and equipment and additions and enhancements to our information systems.

Sources of Liquidity. As of December 31, 2004, our primary sources of liquidity were available borrowings of $99.0 million under our domestic credit facility, cash and cash equivalents of approximately $5.8 million, available borrowings of approximately $3.5 million against the company owned life insurance policies we maintain and internally generated funds.

Domestic Credit Facility. On March 4, 2005, our new amended and restated domestic credit facility became effective, providing for an increase in maximum borrowings, a reduction in the applicable interest rate and increased flexibility with respect to capital expenditures, restricted payments and investments. Our amended and restated domestic credit facility allows maximum borrowings of the lesser of $300.0 million, including letters of

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credit, and an amount equal to 85% of eligible trade receivables plus 60% of eligible inventories. At December 31, 2004, we had $91.6 million of revolving loans and $9.4 million of letters of credit outstanding under our domestic credit facility. Borrowings under our amended and restated domestic credit facility bear interest at a base rate (generally defined as the greater of Deutsche Bank Trust Company Americas prime lending rate or 0.5% over the Federal Funds Rate) plus 1.00% or the adjusted Eurodollar rate plus 2.00%. The applicable margin will increase or decrease based on the leverage ratio (as defined in the amended and restated domestic credit facility). At December 31, 2004, the bank s prime lending rate was 5.25% and the Eurodollar rate was 2.13%. Borrowings under our amended and restated domestic credit facility are secured by our domestic inventory and accounts receivable. Under the amended and restated domestic credit facility, we are obligated to pay certain fees, including an unused commitment fee of 0.375%, payable monthly in arrears, and letter of credit fees of 2.00% per year of the maximum amount available to be drawn under each letter of credit, payable quarterly in arrears, plus other standard fees. The amended and restated domestic credit facility also contains a financial covenant concerning the maintenance of a fixed charge coverage ratio. The amended and restated domestic credit facility also limits, among other things, the incurrence of liens and other indebtedness, mergers, consolidations, the sale of assets, annual capital expenditures, advances, investments and loans by us and our subsidiaries, dividends and other restricted payments by us and our subsidiaries in respect of capital stock, and certain transactions with affiliates. As of December 31, 2004, we were in compliance with all covenants under our amended and restated domestic credit facility. In December 2004, prior to amending and restating our credit facility, we received an amendment to the credit facility and consents from our bank syndicate to cover planned expenditures exceeding the covenant limitations on capital expenditures for fiscal 2005, the financial restructuring, the payment of the termination fee to Kelso, the special contribution to our stock bonus plan, the redemption of stock options to purchase Holding common stock from Mr. Nelson, our chief executive officer, and the payment of the performance bonus to Mr. Nelson. Our credit facility will mature in March 2010.

Redemption of Mr. Nelson Stock Options. A cash payment was made to Maurice S. Nelson, Jr., president and chief executive officer of EMJ and Holding, for $3,006,000 (equal to the difference between the appraised value of the Holding common stock as of March 31, 2004 of $13.76 and the exercise price of $5.41 per share) in consideration of the redemption of options to purchase 360,000 shares of Holding common stock held by Mr. Nelson.

Company Owned Life Insurance Policies. As of December 31, 2004, we had borrowed $203.9 million against the cash surrender value of the life insurance policies that we own. These policies are non-recourse and bear interest at a rate 0.5% greater than the dividend income rate on the policies. As of December 31, 2004, there was approximately $31.8 million of cash surrender value in all life insurance policies we maintain, net of borrowings.

Industrial Revenue Bonds. We have issued industrial revenue bonds in connection with significant facility improvements and construction projects. As of December 31, 2004, our outstanding industrial revenue bond indebtedness amounted to $0.5 million payable in one remaining installment with interest at 9.0% and $3.6 million payable in annual installments of $0.7 million with interest at 5.25%. As of December 31, 2004, principal payments required by our outstanding industrial revenue bond indebtedness amounted to $1.2 million in fiscal 2006, $0.7 million in each of fiscal 2007, 2008 and 2009 and $0.8 million in the aggregate thereafter through fiscal 2010.

Senior Secured Notes. As of December 31, 2004, we had $250.0 million in aggregate principal amount of 9 3/4% senior secured notes outstanding, with interest payable semi-annually on June 1 and December 1. Our notes are secured by a first priority lien (subject to permitted liens) on substantially all of our current and future acquired unencumbered real property, plant and equipment. We will not be required to make any principal payments on our senior secured notes until their maturity in fiscal 2013. The indenture under which our senior secured notes are issued contains covenants that limit our ability to incur additional debt, pay dividends and make distributions, make certain investments, transfer and sell assets, create certain liens in favor of other entities, engage in sale-leaseback transactions, engage in certain transactions with affiliates, and consolidate or merge or sell all or substantially all of our assets.

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Canadian Subsidiary Liquidity. Our Canadian subsidiary has available its own credit facilities of up to C$9.0 million, consisting of a revolving credit facility of C$5.5 million, a term financial instruments facility of C$3.0 million to be used for hedging foreign currency and rate fluctuations, and a special credit facility of C$0.5 million for letters of guarantee in connection with a lease for our facility in Toronto, Ontario. As of December 31, 2004, C$1.3 million ($1.1 million) was outstanding under the revolving credit facility and a letter of guarantee for C$0.5 million ($0.4 million) was issued. There were no amounts outstanding under our term financial instrument facility as of December 31, 2004.

Future Needs. Our ongoing cash requirements for debt service and related obligations are expected to consist primarily of interest payments under our domestic credit facility, interest payments on our 9 3/4% senior secured notes, capital expenditures and principal and interest payments on our industrial revenue bonds.

We believe our sources of liquidity and capital resources are sufficient to meet all currently anticipated short-term and long-term operating cash requirements, including debt service payments on our credit facility and 9 3/4% senior secured notes prior to their scheduled maturities in fiscal 2010 and fiscal 2013, respectively. We may need to replace or to refinance all or a portion of our credit facility and/or the 9 3/4% senior secured notes prior to their maturity. If we are unable to satisfy our debt obligations or to timely refinance or replace our debt, we may need to sell assets, reduce or delay capital investments or raise additional capital to be able to effectively operate our business.

Contractual Obligations

The following table summarizes our contractual cash obligations as of March 31, 2004. Certain of these contractual obligations are reflected on our consolidated balance sheet, while others are disclosed as future obligations.

	Payments Due By Period						
Contractual Obligations	**Total**	**Fiscal 2005**	**Fiscal 2006**	**Fiscal 2007**	**Fiscal 2008**	**Fiscal 2009**	**Thereafter**
				(in thousands)			
Long-term debt	$ 309,738	$ 3,976	$ 1,215	$ 52,392	$ 715	$ 715	$ 250,725
Capital lease obligations							
Operating leases(1)	100,054	18,422	14,315	10,323	7,337	5,718	43,939
Purchase obligations							
Other long-term liabilities(2)	7,638	875	900	925	950	675	3,313
Total	$ 417,430	$ 23,273	$ 16,430	$ 63,640	$ 9,002	$ 7,108	$ 297,977

(1) Excludes sublease income of $7,960, $711, $816, $828, $840, $845 and $3,920 for the above periods, respectively.
(2) Includes estimated annual payments based on prior years trended amounts for postretirement benefits and estimated annual payments of $700 over the next four years and $400 thereafter to meet ERISA minimum pension funding requirements that began in fiscal 2004.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, we are exposed to various market risk factors caused by changes in commodity prices, interest rates and foreign currency exchange rates. We do not use financial instruments or enter into hedging transactions for speculative or trading purposes with respect to managing these market risks. However, we have used and will continue to evaluate the use of financial instruments to reduce our exposure to higher interest costs during periods of rising interest rates. At December 31, 2004 and March 31, 2004, no such financial instruments existed. Our exposure to changing interest rates is limited to our domestic revolving credit

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facility such that our results of operations and cash flows during the first nine months of fiscal 2005 would have been impacted by approximately $1.1 million for each 1% increase or decrease in the applicable interest rate.

The currency used by our foreign subsidiaries is the applicable local currency. Exchange adjustments resulting from foreign currency transactions are recognized in net earnings, and adjustments resulting from the translation of financial statements are included in accumulated other comprehensive income (loss) within our stockholder s equity (deficit). Our exposure to market risk for changes in foreign currency exchange rates is limited to our Canadian operations and the Canadian dollar. Changes in the exchange rate of the Canadian dollar have not had and are not expected to have a material impact on our results of operations and cash flows. We estimate that a 10% change in the average exchange rate of the Canadian dollar during the first nine months of fiscal 2005 would have impacted our net income by approximately $0.8 million. We do not expect to hedge our exposure to foreign currency fluctuations in the foreseeable future.

Recent Accounting Developments

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (Revised), *Share Based Payment*. SFAS No. 123(R), which replaces SFAS No. 123, *Accounting for Stock-Based Compensation*, supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* and amends SFAS No. 95, *Statement of Cash Flows*. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123, which we adopted in December 2004. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values (i.e., pro forma disclosure is no longer an alternative to financial statement recognition). SFAS No. 123(R) is effective for public companies at the beginning of the first interim or annual period beginning after June 15, 2005.

In December 2003, the FASB issued SFAS No. 132 (revised December 2003), *Employers Disclosures about Pensions and Other Postretirement Benefits* (SFAS No. 132(R)). This statement amends the disclosure requirements of SFAS No. 132 to require more details about retirement plan assets, benefit obligations, cash flows and other relevant information. SFAS No. 132(R) is effective for years ending after December 15, 2003, except certain benefit payment and international plan disclosures that are effective for fiscal years after June 15, 2004. The adoption of the disclosure provisions of SFAS No. 132(R) did not have a material effect on our consolidated financial statements.

In December 2003, the FASB issued FASB Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities* (FIN No. 46(R)). FIN No. 46(R) provides the principles to consider in determining when variable interest entities must be consolidated in the financial statements of the primary beneficiary. In general, a variable interest entity used for business purposes that either (1) does not have equity investors with voting rights or (2) has equity investors that are not required to provide sufficient financial resources for the entity to support its activities without additional subordinated financial support. FIN No. 46(R) requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or entitled to receive a majority of the entity s residual returns or both. This statement did not have an effect on our consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equities. The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150 had no effect on our consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Transactions*, which amends and clarifies financial accounting and reporting for derivative instruments, including those embedded in other contracts, and for hedging

activities under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The provisions of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003. As of December 31, 2004, we had no such instruments.

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BUSINESS

We were formed on May 3, 1990, when affiliates of Kelso & Company, L.P., a private investment firm, acquired control of and combined two leading metals distributors, Earle M. Jorgensen Company (founded in 1921) and Kilsby-Roberts Holding Co. (successor to C.A. Roberts Company, founded in 1915). In connection with the combination of these two companies, we became a wholly owned subsidiary of Holding. After the consummation of the financial restructuring, Holding will cease to exist and the noteholder and stockholders of Holding will become stockholders of EMJ.

We are a leading distributor of metal bar and tubular products used by North American manufacturing companies and have been in business for over 80 years. We purchase over 25,000 different metal products in large quantities from primary producers, including a broad mix of carbon, alloy and stainless steel and aluminum bar, tubular and plate products. We sell these metal products in smaller quantities to over 35,000 customers spanning various industries, including machine tools, industrial equipment, transportation, fluid power, oil, gas and energy, fabricated metal, and construction and agricultural equipment. We distribute our broad range of metal products and provide our customers value-added metal processing and inventory management services from our distribution network of 35 strategically located service and processing centers in the United States and Canada.

Our metal processing services consist of cutting to length, burning, sawing, honing, shearing, grinding, polishing and performing other similar services on most of the metal products we sell, all to customer specifications. As part of our inventory management services, we schedule deliveries in the quantities and at the times required by just-in-time manufacturing processes employed by a growing number of leading manufacturing companies and provide our customers with an on-time product delivery guarantee.

During the past several years, we have focused our management efforts on automating and reconfiguring our facilities to increase workflow, enhancing our information management systems to improve customer service, and streamlining our management structure, reducing headcount, and decreasing corporate overhead to reduce costs. We believe that our efficient operating structure enables us to achieve gross profit per employee levels that are considerably higher than those of our major competitors.

Industry Overview

Metals service centers function as key intermediaries between the metals producers that desire to sell large volumes to few customers and the end-users that need specific products in smaller quantities. Primary metals producers, which manufacture and sell large volumes of steel, aluminum and specialty metals in standard sizes and configurations, generally sell only to large end-users and metals service centers that do not require processing of the products and who can order in large quantities and tolerate relatively long lead times. We believe that the role of the primary metals producers will not change in the foreseeable future and that these producers will continue to focus on providing efficient and volume-driven production of a limited number of standardized metal products. The metals distribution industry is fragmented, with approximately 1,300 participants throughout North America, the largest of which represented less than 5% of estimated industry sales in North America of $50 billion in 2003. Based on 2003 data on the North American industry, approximately $27.0 billion of sales were attributable to the 50 largest metals service centers in North America. The industry includes both general-line distributors, like us, that handle a wide range of metal products and specialty distributors that specialize in particular categories of metal products. Most of the companies in the metals distribution industry have a product mix more heavily weighted toward flat products, such as sheet and plate. The bar and tubular products that are our core products tend to be sold in smaller quantities, with shorter lead times and at higher gross margins than flat products, such as sheet and plate. Geographic coverage by metals service centers is influenced by their national, regional and local representation.

We believe that a low-cost position coupled with excellent customer service, including breadth and availability of product offerings, timely and reliable delivery and responsiveness to customer needs, are the

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critical success factors that differentiate between various service centers. For example, metals end-users are increasingly moving to lean manufacturing models that require metal products to be delivered to them on an as-needed basis. This has increased these end-users need for service centers that can meet their delivery requirements by maintaining an extensive inventory of available metal products.

Competitive Strengths

We believe that the following factors contribute to our success in the metals service center industry:

Excellent Product Selection and Service. We are a recognized leader in the metals service center industry, with an excellent reputation for quality and service built over our 80 years of operation. We have an extensive inventory of core products, including one of the most extensive lines of bar and tubular products in North America. Over the last several years, we have further enhanced our reputation by implementing a program for our customers in which we guarantee on-time delivery of our products or they are free. This program, which we believe is unique among our major competitors in North America, has been very successful, with on-time performance of approximately 99% since its inception in 1999. Our broad network of service and processing centers and our proprietary information management systems have been critical to our ability to guarantee our service. Further, we have received numerous quality and service awards from our customers and have consistently demonstrated our commitment to improve our business in order to better satisfy our customers needs, including being among the first in our industry to receive ISO 9002 and QS 9000 certifications and providing electronic commerce capabilities.

Excellent Supplier Relationships. We believe we are one of the largest purchasers of steel bars and tubing in North America, and one of the leading distribution customers in our core products for each of our major suppliers. These supplier relationships enable us to better meet our customers demands for metals during periods of tight supply, such as the one our industry is currently experiencing.

Broad Network of Strategically Located Facilities and Diverse Customer Base. Our 35 service and processing centers are strategically located throughout North America, generally within one day s delivery time to almost all U.S. manufacturing centers. Our broad service network enables us to provide services to national customers with multiple locations, as well as to smaller single-site customers. We serve more than 35,000 customers across a broad range of industries, with no single customer accounting for more than 2% of our revenues in fiscal 2004 or the first nine months of fiscal 2005. Our ten largest customers represented approximately 10% of our revenues in fiscal 2004, and the average length of these customer relationships was approximately 14 years. During fiscal 2004 and the first nine months of fiscal 2005, we handled approximately 7,900 and 8,100 sales transactions per business day, respectively, at an average sales price of approximately $520 and $750 per transaction, respectively.

Focus on Information Management Systems. Through our proprietary information management systems, we track and allocate inventory among all of our locations, maintain high levels of customer service through better order and product reference data and monitor our operating results. We track our entire inventory on a real-time basis through our information management systems, which allows our salespeople and operating employees to have visibility into in-process orders and enables us to meet our on-time delivery guarantee. Our in-house information technology team interacts closely with our salesforce and operations personnel.

Warehouse Automation. We completed the installation of an automated inventory storage and retrieval system in our largest facility, which is located in Chicago, in the third quarter of fiscal 2004. This fully operational system, which we refer to as the Kasto system, allows us to streamline order filling and improve employee productivity, resulting in reduced material handling and processing costs and increased order fill rates. For example, warehouse cost per ton at our Chicago facility, which services regional customers and also supplies products to all of our other service centers, has decreased approximately 17.1% from $96.33 in the second quarter of fiscal 2004, the quarter immediately preceding

the completion of the automated warehouse system s installation, to $79.86 in the first nine months of fiscal 2005.

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Experienced Management Team. Our senior management team has an average of 29 years of industry experience. Our chief executive officer, Maurice S. Nelson, Jr., has spent over 42 years in the metals industry with us and at Inland Steel Company and Alcoa Inc. Mr. Nelson was named the Service Center Executive of the Year for 2001 by Metal Center News and served as chairman of the Metal Service Center Institute during the 2002-2003 term.

Operating and Growth Strategy

Our primary business goals are to increase market share and to improve operating profits and cash flows. Our operating and growth strategies to accomplish these goals consist of the following elements:

Focus on Core Products. We believe our purchasing volumes for our core bar and tubular products enable us to achieve among the lowest available product acquisition costs for these products among metals service centers in North America. We believe we can grow our market share and increase profitability by continuing to focus our marketing efforts on our core products and capitalizing on our procurement advantage. We intend to leverage our strength in our core products to enable us to establish competitive advantages in our local markets as well as to allow us to successfully compete for larger national programs with customers.

Focus on Timely and Reliable Delivery and Value-Added Services. We believe our guarantee to provide on-time delivery service will continue to differentiate us from our competition and enable us to increase our market share. In addition, we seek to increase our margins and grow our market share by complementing our metal product sales efforts with value-added services, such as inventory management and processing activities, including our special stocking programs and cutting and honing operations.

Expand Satellite Operations. We believe a key aspect of serving our current customers and acquiring new customers is having a physical presence in markets that require our products and services. Accordingly, we have been implementing a strategy to target those geographic areas where we can justify opening a satellite location. These locations are managed locally by warehouse and delivery personnel, stock a limited inventory of core products and require minimal initial and maintenance capital expenditures, resulting in a low-cost opportunity to serve select markets. Each satellite operation is supported by inventory, inside salespeople and the general management of one of our larger service centers. During the past 18 months, we have opened satellite facilities in Orlando, Florida and northern Ontario and have recently relocated our successful Chattanooga, Tennessee satellite facility to a larger new satellite facility in Birmingham, Alabama. We continue to evaluate additional satellite locations and expect to open a satellite facility in Spokane, Washington in May 2005.

Maintain Technology Leadership. We have made and will continue to make investments in technology in order to differentiate our capabilities from those of our competitors. We intend to continue to enhance our information management systems by upgrading software and hardware to improve the connectivity, stability and reliability of these systems, which will help us continue to improve customer service. To further improve our productivity and efficiency, we are (1) expanding the warehouse automation system in our Chicago facility and evaluating the implementation of the warehouse automation systems in our other facilities, (2) creating a centralized data warehouse to facilitate greater access to transactional information, (3) developing new electronic commerce tools for customer and vendor interfaces to offer better compatibility with various systems and (4) implementing IP telephony to reduce costs and allow for greater customer service flexibility.

Products and Suppliers

We have designated certain carbon and alloy, stainless and aluminum products as core product offerings under our bar and tubular product lines. We also offer certain plate and other products. Each of our service centers stocks a broad range of shapes and sizes of each of these products, as dictated by market demand, in an effort to be a market leader in all of the core product lines in its geographic area. We process most of the metal products we sell by cutting to length, burning, sawing, honing, shearing, grinding, polishing, and performing similar services on them, all to customer specifications. These processing services save our customers time, labor and expense, which helps them better manage their manufacturing costs. As part of our inventory management

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services, we schedule deliveries in the quantities and at the times required by just-in-time manufacturing processes employed by a growing number of leading manufacturing companies and provide our customers with an on-time product delivery guarantee. Our inventory management services also include special stocking programs and management of inventory levels for items specified by customers based on their forecasts.

Carbon steel bar products (hot-rolled and cold-finished) and carbon plate and sheet are used in a wide range of products and applications, including construction equipment, agricultural equipment, automotive and truck manufacturing and oil exploration. Stainless steel bar and plate are used widely in the chemical, petrochemical, and oil refining and biomedical industries where resistance to corrosion is important. Aluminum bar and plate are frequently used in aircraft and aerospace applications where weight is a factor. Different tubular products are appropriate for particular uses based on different characteristics of the tubular materials, including strength, weight, resistance to corrosion and cost. Carbon steel tubing and pipe are used in general manufacturing. Alloy tubing is used frequently in the manufacturing of oil field equipment and farm equipment. Stainless steel tubing and pipe are used in applications requiring a high resistance to corrosion, such as food processing. Aluminum tubing and pipe are used in applications that put a premium on lightweight, such as aerospace manufacturing.

The percentage of revenues generated from sales of material by product group for the fiscal years ended March 31, 2002, 2003 and 2004 and the nine months ended January 1, 2004 and December 31, 2004 is as follows.

	Fiscal Year Ended March 31,			Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
Bars:					
Carbon and Alloy	36.6%	37.4%	37.4%	36.8%	41.0%
Stainless	11.9	11.3	11.7	11.6	10.9
Aluminum	7.7	7.9	8.1	8.2	7.1
Brass	0.7	1.0	1.4	1.3	1.4
Total	56.9	57.6	58.6	57.9	60.4
Tubing:					
Carbon and Alloy	24.6	24.6	23.6	24.0	23.2
Stainless	3.0	2.9	2.8	2.8	2.3
Aluminum	3.6	3.2	2.7	2.8	2.1
Total	31.2	30.7	29.1	29.6	27.6
Plate:					
Carbon and Alloy	3.9	3.5	3.2	3.0	3.7
Stainless	1.5	1.3	1.2	1.2	1.1
Aluminum	2.3	2.4	2.0	2.1	2.1
Total	7.7	7.2	6.4	6.3	6.9
Other	4.2	4.5	5.9	6.2	5.1
	100.0%	100.0%	100.0%	100.0%	100.0%

The majority of our procurement activities are conducted by a centralized merchandising office in our Chicago facility. Specialists in major product lines make the majority of inventory purchases on behalf of our service centers. This merchandising group develops and evaluates the

working relationships with high-quality suppliers to ensure availability, quality and timely delivery of product. Because of this centralized coordination and the total volume of purchases we make, we often are a recognized distributor for major metals suppliers and believe that we are able to purchase our core products inventory at among the lowest unit cost available to North American metals service centers.

The majority of our inventory purchases are made by purchase order, and we have no significant supply contracts with periods in excess of one year. We are not dependent on any single supplier for any product or for a

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significant portion of our purchases. In fiscal 2004 and the first nine months of fiscal 2005, no single supplier represented more than 10% of our total purchases. We purchased less than 15% of our inventory from foreign-based suppliers in fiscal 2004.

Customers and Markets

We provide metal products and value-added metal processing and inventory management services to over 35,000 customers throughout North America that do business in a wide variety of industries. No customer represented more than 2% of our revenues in fiscal 2004 or the first nine months of fiscal 2005. During fiscal 2004 and the first nine months of fiscal 2005, we processed approximately 7,900 and 8,100 sales transactions per business day, respectively, at an average sale price of approximately $520 and $750 per transaction, respectively. In addition, sales of material out of our stock inventory (referred to as stock sales) represented 89.7%, 90.8%, 91.7% and 93.4% of our revenues from the sale of metal products for fiscal 2002, 2003 and 2004 and the first nine months of fiscal 2005, respectively. We believe our ability to support this high proportion of stock sales is critical in growing market share and maintaining higher gross margins than would otherwise be possible. The balance of revenues represents special customer requirements that we meet by arranging mill-direct sales and by making buy-outs from other distributors of inventory items we do not maintain as stock inventory. These non-stock sales generally have lower gross margins than stock sales, but provide a valuable customer service. For information concerning the seasonal nature of our business, see Management s Discussion and Analysis Quarterly Results of Operations.

The following table provides the percentage of tons we sold to domestic customers in the largest industries we serve for the fiscal years ended March 31, 2002, 2003 and 2004 and the nine months ended January 1, 2004 and December 31, 2004.

	Fiscal Year Ended March 31,			Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
Machine Tools	27.4%	27.0%	28.1%	27.9%	29.1%
Industrial Equipment	9.5	8.7	7.7	8.9	8.8
Transportation	8.5	8.1	7.5	8.1	7.2
Metal Service Centers & Wholesale Trade	6.3	6.6	6.1	6.1	6.2
Fluid Power	4.1	4.7	6.0	5.0	5.2
Oil, Gas & Energy	4.3	4.2	5.8	4.2	3.7
Fabricated Metal	6.3	6.6	5.7	6.3	6.5
Construction/Agricultural Equipment	8.4	7.9	5.1	7.6	7.3
Screw Machine Products	4.4	6.0	5.0	5.8	6.1
Power Transmission Equipment	2.7	3.4	3.7	3.8	3.9
All Other Industries	18.1	16.8	19.3	16.3	16.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Most of our sales originate from individual purchase orders, with the pricing set at the time of the sale, and are not subject to ongoing supply contracts. When we enter into a fixed price arrangement, we typically enter into a corresponding supply arrangement with our supplier to cover the commitment to our customer. These corresponding supply arrangements limit the risk of fluctuating prices negatively impacting our margins on these fixed price arrangements. These arrangements provide the customer with greater certainty as to timely delivery, price stability and continuity of supply, and sometimes satisfy particular processing or inventory management requirements. In addition, these arrangements have

resulted in new customer relationships and increased sales volumes, but can have a lower gross margin than our ordinary sales. These fixed price arrangements, in the aggregate, represented approximately 10% of our total revenues in fiscal 2004.

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Competition

We compete with numerous national, regional and local service centers of various sizes and capabilities. Some of these service centers are general line service centers and some specialize in a narrow range of products (such as stainless bars). We compete based on inventory availability, timely delivery, price, customer service, quality and processing capabilities. We believe that our extensive inventory of core products, excellent customer service, excellent supplier relationships, broad network of facilities, proprietary technology, automated warehouse system and experienced management team enable us to compete effectively in our industry.

Information Management Systems

Our proprietary information management systems enable us to track and allocate inventory among all of our locations, improve customer service through better order and product reference data and monitor operating results. The ability to track our inventory system-wide on a real-time basis allows our salespeople to integrate ordering and scheduling, which enables us to meet our on-time delivery guarantee. Our proprietary systems have been and will continue to be upgraded, developed and implemented to improve efficiencies and customer service.

Intellectual Property and Licenses

EMJ® and E-METALS® are registered trademarks, and our name is a registered service mark, in the United States and in other countries where we do or expect to do business. Other service marks, including hallmarks, logos, taglines or mottos, used to conduct business are or will be registered as necessary to protect our proprietary rights. We also own our Internet domain name, emjmetals.com. We consider certain information owned by us to be trade secrets, and we take measures to protect the confidentiality and control the disclosure of such information. We believe that these safeguards adequately protect our proprietary rights. While we consider all of our intellectual property rights as a whole to be important, we do not consider any single right to be essential to our operations.

Employees

As of December 31, 2004, EMJ employed 1,693 persons, of whom 1,053 were employed in warehouse operations or shipping, 364 were employed in sales and 276 served in executive, administrative or district office capacities. Three different unions represent approximately 33% of our employees from 15 locations. Our collective bargaining agreements expire on staggered dates between 2005 and 2010. We believe we have a good overall relationship with our employees and do not expect any significant issues to arise in connection with collective bargaining agreements in the near future.

Properties

We currently maintain 35 strategically located service centers, including two plate processing centers, one cutting center and one tubular honing facility. Of these service centers, 31 are located in various cities throughout the United States and four are located in Canada. We are headquartered in Lynwood, California and have a sales office in Hartford, Connecticut and a merchandising office in Chicago, Illinois. Our

facilities generally are capable of being utilized at higher capacities than they are currently being utilized, if necessary. Most leased facilities have initial terms of more than one year and include renewal options. While some of the leases expire in the near term, we do not believe that we will have difficulty renewing such leases or finding alternative sites. Our 9 3/4% senior secured notes are secured by a first priority lien (subject to permitted liens) on substantially all of our current and future acquired unencumbered real property.

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Set forth below is a table summarizing certain information with respect to our 35 service centers.

Country/City/State or Province	Owned/ Leased	Square Footage (approximately)
United States:		
Birmingham, Alabama(1)	Owned	80,000
Phoenix, Arizona	Owned	72,200
Little Rock, Arkansas	Leased	27,700
Hayward, California	Leased	91,000
Los Angeles, California (a distribution center and a plate processing center)	Owned	319,400
Denver, Colorado	Leased	77,400
Orlando, Florida(1)	Leased	29,700
Chicago, Illinois(2)	Owned	603,700
Indianapolis, Indiana	Owned	225,000
Eldridge, Iowa	Leased	104,500
Boston, Massachusetts	Owned	63,500
Detroit, Michigan(1)	Leased	28,700
Minneapolis, Minnesota	Owned	169,200
Kansas City, Missouri	Leased	120,900
St. Louis, Missouri	Leased	108,100
Rochester, New York(1)	Leased	31,500
Charlotte, North Carolina	Owned	175,300
Cincinnati, Ohio	Leased	125,200
Cleveland, Ohio	Owned	200,200
Cleveland, Ohio	Owned	137,800
Tulsa, Oklahoma (a distribution center and tubular honing center)	Owned	143,400
Portland, Oregon	Leased	33,800
Philadelphia, Pennsylvania	Leased	27,200
Wrightsville, Pennsylvania	Leased	124,500
Memphis, Tennessee	Leased	56,500
Dallas, Texas	Owned	132,800
Houston, Texas	Owned	95,200
Salt Lake City, Utah(1)	Leased	25,400
Seattle, Washington	Leased	83,600
Canada:		
Edmonton, Alberta	Leased	25,800
North Bay, Ontario(1)	Leased	10,000
Toronto, Ontario	Leased	61,800
Montréal, Quebec	Leased	82,700

(1) We consider these locations satellite operations.
(2) Our Chicago facility supplies products to all of our other service centers.

Foreign Operations

Through our wholly owned subsidiary, Earle M. Jorgensen (Canada) Inc., a Canadian limited liability company, we operate four service centers located in Toronto, Montréal, Edmonton and North Bay. Revenues from our Canadian operations totaled $43.7 million in fiscal 2002, $54.4 million in fiscal 2003, $70.0 million in fiscal 2004 and $77.4 million in the first nine months of fiscal 2005. Our long-lived assets located in Canada, primarily warehouse equipment, totaled $1.9 million, $2.4 million, $3.0 million and $3.7 million as of March 31, 2002, 2003 and 2004 and December 31, 2004, respectively.

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Health and Safety Regulations

Our operations are governed by many laws and regulations designed to promote workplace safety and to protect the welfare of employees, including the Occupational Safety and Health Act and regulations thereunder. We believe we are in material compliance with these laws and regulations.

Environmental Matters

We are subject to extensive and changing federal, state, local and foreign laws and regulations designed to protect the environment, including those relating to the use, handling, storage, discharge and disposal of hazardous substances and the remediation of environmental contamination. Although we believe we are in material compliance with laws and regulations, we are from time to time involved in administrative and judicial proceedings and inquiries relating to environmental matters.

During fiscal years 2002, 2003 and 2004, expenditures totaling approximately $0.1 million, $0.2 million and $0.2 million, respectively, were made in connection with monitoring and investigation activities at sites with contaminated soil and/or groundwater. As of December 31, 2004, an accrual of $0.8 million existed for future investigation activities related to the Forge and Clinton Drive sites, as discussed below. We do not consider any other pending environmental matters material.

Forge (Seattle/Kent, WA). In November 1998, we paid the purchasers of our former Forge facility and an off-site disposal site $2.3 million as an arbitration award for liabilities related to the remediation of known contamination at the Forge facility. We continue to monitor the disposal site for environmental conditions in accordance with a consent decree issued by the Washington Department of Ecology. Annual costs associated with such monitoring are not significant, and we do not anticipate significant additional expenditures related to this matter.

The Forge property is located on the Lower Duwamish Waterway, which has been identified by the United States Environmental Protection Agency, or the EPA, as a Superfund Site. Under the federal Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, owners or operators of facilities that have released hazardous substances to the environment may be liable for remediation costs and damages to natural resources caused by such releases. Courts have held that such liability may be joint and several; however, in many instances, the costs are allocated among the parties, primarily based on their estimated contribution to the contamination. The EPA has entered into an Administrative Order of Consent (AOC) with four major property owners with potential liability for cleanup of the Duwamish site that outline tasks required to be completed to further investigate the nature and extent of the contamination and cleanup alternatives. In November 2001, the current owners of the Forge property notified us of a potential claim for indemnification for any liability relating to contamination of the Duwamish site. The notification stated that the Forge facility, along with other businesses located along the Duwamish site, are expected be named as potentially responsible parties for contamination of the Duwamish site and requested that EMJ participate under a joint defense.

On July 10, 2003, pursuant to a request from the EPA, we executed an AOC under CERCLA to investigate certain areas of the Forge facility to determine whether it has contributed to certain contamination of the Lower Duwamish Waterway that is expected to be the subject of remedial action by a neighboring facility. The initial estimate of the cost of proposed work under the AOC ranged from $0.4 million to $0.5 million of which approximately $0.2 million has been spent as of December 31, 2004. In addition, as of December 31, 2004, we accrued approximately $0.3 million with respect to the Forge facility for environmental investigation and remediation costs for compliance and sampling work with respect to the AOC expected to be incurred during fiscal 2005. On April 15, 2003, we signed a funding and participation agreement with the current owners of the Forge property, which requires us to fund 85% of costs to be incurred in connection with the investigation activities to be performed under the AOC.

We are continuing to evaluate this matter and remedies we may have, including insurance recoveries for any monies to be spent as part of the investigation or cleanup of the Duwamish site. Because the Duwamish site is

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still being investigated and cleanup alternatives and responsibility for cleanup are still being evaluated, we cannot determine what ultimate liability we may have relating to this matter.

Clinton Drive (Houston, TX). In connection with the sale of a surplus facility in Houston, Texas, an environmental investigation of the site detected benzene in the groundwater at the site that we believe came from previously removed diesel/gasoline underground storage tanks. Based on additional sampling and tests, traces of chlorinated solvents were also detected in the groundwater at the site. In connection with the sale of the property, on December 9, 2004, we entered into an agreement with the buyer that provides for us to do the following:

- file a voluntary clean-up application with the Texas Commission for Environmental Quality, or TCEQ, that commits us to clean-up the soil and groundwater at the site for the benzene and chlorinated solvents to acceptable levels in accordance with TCEQ requirements;
- fund an escrow account with $0.5 million to be available to complete required clean-up and subsequent monitoring activities; and
- indemnify the buyer for pre-existing environmental issues on the site based on applicable TCEQ industrial/commercial standards.

We have accrued $0.5 million for the estimated liability from this issue.

Legal Proceedings

U.S. Department of Labor. On March 8, 2002, the U.S. Department of Labor sued us, Holding, our stock bonus plan and former members of Holding s benefits committee in the federal district court for the Central District of California. The Department of Labor claimed that the valuations of Holding common stock used to make annual contributions to our stock bonus plan in each of the years 1994 through 2000 contained significant errors that resulted in the Holding common stock being overvalued, and that the failure of the members of the benefits committee to detect and correct the errors was a breach of their fiduciary duty under ERISA. As a result of the alleged overvaluations, the Department of Labor contended that the contributions to our stock bonus plan were prohibited transactions under ERISA. We, Holding and members of the benefits committee defended the suit vigorously and ultimately settled the suit via a consent order and release executed with the Department of Labor on January 27, 2003. The key provisions of the agreement were as follows: (1) we were not required to make any payments to the stock bonus plan under the agreement; (2) we were prohibited from making further Holding common stock contributions to the stock bonus plan until the stock is publicly traded; (3) we were required to continue to obtain annual appraisals of Holding stock using methodology consistent with prior appraisals, and use that appraised value as the purchase price for repurchases of common stock as we have done in the past; and (4) if the annual appraisal of Holding common stock was less than $4.25 per share, we were required to pay a floor price of $4.25 per share in connection with the repurchase of common stock from departing employees for shares that were originally contributed to the stock bonus plan for the plan years 1994 through 2000. If we were required to pay the floor price in connection with the repurchase of common stock from departing employees, the settlement agreement also allowed the Department of Labor to assess a penalty to EMJ equal to 20% of the amount calculated by multiplying the difference between the appraised value and the floor price by the number of shares repurchased at the floor price.

In December 2003, we entered into agreements with Holding, a subsidiary of EMJ and the principal stockholders of Holding that provided for a financial restructuring pursuant to which Holding would become a wholly owned subsidiary of EMJ and the stockholders and noteholder of Holding would receive shares of our common stock based on a fixed exchange ratio. Prior to approval of the transaction, the Department of Labor initiated a review of the procedures followed by the benefits committee in connection with its evaluation of the proposed transaction and other strategic alternatives available to Holding, as well as an assessment of whether or not the proposed transaction complied with the terms of the consent order and the legal requirements applicable to the stock bonus plan. At that time, the Department of Labor urged the benefits committee to consider a financial restructuring that would eliminate on a going-forward basis the valuation methodology that was agreed upon in

the consent order. These discussions with

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the Department of Labor resulted in delays that, combined with other transactional requirements, precluded the consummation of the financial restructuring on the terms originally proposed.

With regard to the financial restructuring, Holding concluded that it was preferable to amend the consent order to change the methodology used in preparing the annual valuations for our plan. In connection with the change in valuation methodology, Holding determined that it was in the best interests of the plan to make a special contribution of additional shares of Holding common stock with respect to the shares of Holding common stock contributed from 1994 through 2000. This contribution (which will be converted into a contribution of our common stock upon consummation of the financial restructuring) will offset the disadvantage plan participants will experience because the change in methodology will cause a significant decrease in the appraised value of the Holding common stock. We outlined the details of that proposal to representatives of the Department of Labor at a meeting in June 2004 and submitted a written explanation of the proposed amendment to the consent order and related documentation on August 18, 2004.

Various discussions between representatives of the special committee and the benefits committee and the Department of Labor followed and on December 17, 2004, Holding, the benefits committee and the Department of Labor executed an amended consent order. The amended consent order was entered on January 3, 2005 and provides that:

- to the extent that the stock bonus plan is required to obtain appraisals after the date of the amended consent order, the appraisals will be prepared in accordance with generally accepted appraisal principles and the stock bonus plan will no longer be required to use the appraisal methodology that historically had been employed, which as of March 31, 2004 resulted in an appraised value of $13.76 per share of Holding common stock;

- after the date of the amended consent order, all repurchases of Holding common stock from the stock bonus plan participants who elect to put shares of Holding common stock to Holding or to sell shares of Holding common stock to Holding in connection with diversification of their account will be at an appraised value based on the new methodology, which as of March 31, 2004 resulted in an appraised value of $7.80 per share of Holding common stock;

- the floor price guaranty was reduced from $4.25 to $2.15 per share to reflect the changes in the appraisal methodology and the effect of the special contribution described below, and after the date of a reorganization or similar event, including the financial restructuring, the floor price guaranty will cease; and

- upon completion of the financial restructuring and this offering, the shares of company stock held by the stock bonus plan will no longer be valued by appraisal and the participants will no longer have the right to put shares of company stock to Holding or EMJ upon termination of their employment.

To offset the loss of account value stock bonus plan participants who hold shares of Holding common stock will sustain as a result of the change in the appraisal methodology pursuant to the amended consent order, Holding will implement a program to make a special contribution of additional shares of Holding common stock or common stock equivalents to (1) the stock bonus plan, (2) a supplemental stock bonus plan, and (3) a cash bonus plan. Holding has committed to make a special contribution of 1.0817 shares of Holding common stock or its equivalent with respect to each share of Holding common stock held by the stock bonus plan. This amount is equal to (a) the difference between the appraised value as of March 31, 2004 using the old methodology and the appraised value as of March 31, 2004 using the new methodology, divided by (b) the appraised value as of March 31, 2004 using the new methodology, adjusted for the dilutive effect of such contribution. After giving effect to the special contribution, the stock bonus plan participants holding Holding common stock will continue to have shares of Holding common stock with the same aggregate value, notwithstanding the change in valuation methodology, which otherwise would have had the effect of reducing the aggregate value of their equity interests. As of January 12, 2005, there were 2,454,119 shares of Holding common stock in the stock bonus plan eligible for the special contribution. The special contribution will consist of 2,461,547 shares of Holding common stock or its equivalent and cash bonuses paid through the new cash bonus plan of $1,056,465 in the

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aggregate to participants who are no longer employed by EMJ. We charged approximately $17.3 million in the aggregate to expenses for the third quarter of fiscal 2005 with respect to our commitment in December 2004 to make the special contribution. After the consummation of the financial restructuring and this offering, we intend to file a registration statement on form S-8 covering the shares of common stock reserved for the special contribution.

To ensure compliance with the Internal Revenue Code and ERISA requirements, the first contribution will be made after the completion of the plan year ended March 31, 2005. Due to certain Internal Revenue Service rules limiting the amount of contributions that can be made in a single year, the contributions will be made over two years, and affected participants who are no longer employed by EMJ may have to receive at least part of the program benefits in cash payments outside the stock bonus plan. Holding has adopted an amendment to the stock bonus plan that provides for stock contributions for the plan years ending March 31, 2005 and March 31, 2006. To the extent legally permissible, each participant will receive 1.0817 additional shares of Holding common stock for each share of Holding common stock that remained in their account as of the date of the amended consent order. Other Internal Revenue Service rules limit contributions that discriminate in favor of highly compensated employees. To the extent participants do not receive their full allocation under the stock bonus plan over the two years, the program benefits will be provided under a cash bonus plan or through credits of units under a phantom stock plan called the supplemental stock bonus plan. The program has been designed to ensure that each participant will receive the equivalent value of their allocation of the special contribution determined as of the date of the amended consent order, whether or not they continue to be employed by EMJ or continue to be a plan participant.

Upon consummation of the financial restructuring and this offering, we will assume Holding s obligations under all aspects of the program and the stock contributions will be made in our common stock.

Champagne Metals. On April 22, 2002, Champagne Metals, a small metals service center distributing aluminum coil products in Oklahoma, brought suit against us and six other metal service centers in the federal District Court for the Western District of Oklahoma. Champagne Metals alleged that we had conspired with the other metal service centers to induce or coerce aluminum suppliers to refuse to designate Champagne Metals as a distributor in violation of federal and state antitrust laws and that such conspiracy further constituted tortious interference with business and contractual relations. Champagne Metals sought treble damages on its antitrust claims and punitive damages in addition to actual damages. EMJ and the other defendants filed motions for summary judgment, and on June 15, 2004, the federal District Court for the Western District of Oklahoma entered an order granting the motions for summary judgment of each of the defendants including EMJ and dismissed the case. Champagne Metals has appealed the judgment. The 10th Circuit Court of Appeals Mandatory Settlement and Procedural Matters Conference occurred on September 17, 2004, without anything substantive taking place. On November 5, 2004, the plaintiff filed and served its Appellant s Brief on Appeal. Defendants Responsive Brief on Appeal was filed on December 22, 2004, and plaintiff filed Appellant s Reply Brief on January 19, 2005.

Other. We are occasionally involved in ordinary, routine litigation incidental to our normal course of business, none of which we believe to be material to our financial condition or results of operations. We maintain various liability insurance coverages to protect our assets from losses arising out of or involving activities associated with ongoing and normal business operations. See also the discussion of environmental proceedings under Environmental Matters above.

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MANAGEMENT

Executive Officers and Directors

The following table contains information with respect to our executive officers and directors, including their ages as of April 1, 2005. There are no family relationships between any of our executive officers or directors.

Name	Age	Position
Maurice S. Nelson, Jr.	67	President, Chief Executive Officer, Chief Operating Officer and Director
R. Neil McCaffery	55	Executive Vice President
William S. Johnson	47	Vice President, Chief Financial Officer and Secretary
Frank D. Travetto	52	Vice President, Merchandising
Kenneth L. Henry	58	Executive Vice President
James D. Hoffman	46	Vice President
David M. Roderick	80	Chairman of the Board
William A. Marquard	85	Director
Earl L. Mason	57	Director
Frank T. Nickell	57	Director
John Rutledge	56	Director
David I. Wahrhaftig	47	Director
Joseph T. O Donnell, Jr.	57	Director

Maurice S. Nelson, Jr. Mr. Nelson has been our President, Chief Executive Officer and Chief Operating Officer and a director of EMJ and Holding since February 1, 1997. Before that, Mr. Nelson served as President, Chief Executive Officer and Chief Operating Officer of Inland Steel Company, a steel manufacturing company, from 1992 until April 1996. Before that, Mr. Nelson was the President of the Aerospace and Commercial division of the Aluminum Company of America (Alcoa), an aluminum manufacturing company, from 1987 to 1992.

R. Neil McCaffery. Mr. McCaffery has been our Executive Vice President since March 2001. Before that, Mr. McCaffery was our Vice President Western Region since March 1997 and our Vice President Southern Region since April 1996.

William S. Johnson. Mr. Johnson has been our Vice President and Chief Financial Officer and Secretary since January 1999. Before that, Mr. Johnson was EMJ s Controller since February 1995 and was EMJ s Assistant Controller since February 1994. Prior to that, Mr. Johnson has held various financial and accounting management positions with several distribution-related companies. Mr. Johnson is a certified public accountant and began his career at Ernst & Ernst, a predecessor of Ernst & Young.

Frank D. Travetto. Mr. Travetto has been our Vice President Merchandising since March 1997. Before that, Mr. Travetto was EMJ s Vice President Western Region since 1996, EMJ s Vice President Eastern Region from 1992 to 1996, and EMJ s Division President, Canadian Operations from 1990 to 1992.

Kenneth L. Henry. Mr. Henry has been our Executive Vice President responsible for operating our Dallas, Houston and Tulsa facilities since July 2003. Before that, Mr. Henry was our Vice President responsible for operating our Chicago and Quad Cities facilities since January 1998. Before that, Mr. Henry was EMJ s Vice President Central Region since 1995. Before that, Mr. Henry was our Vice President Southern Region since 1992, and Vice President of the Kilsby-Roberts Division of EMJ from April 1990 to 1992.

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James D. Hoffman. Mr. Hoffman has been our Vice President since March 2001 and has been responsible for operations of our Cleveland and Boston facilities since March 2001. Before that, Mr. Hoffman was our Vice President Eastern Region since July 1996. Before that, Mr. Hoffman was District Manager for our Cleveland and Buffalo operations since June 1992.

David M. Roderick. Mr. Roderick has been chairman of the board of directors of EMJ and Holding since January 21, 1998 and a director of EMJ and Holding since January 1994. Mr. Roderick also serves as a director of Citation, a casting and forging company, and Kelso & Companies, Inc. Previously, Mr. Roderick served in various capacities at USX Corporation, a steel manufacturing company. Mr. Roderick joined USX in 1959, was Chairman of USX Finance Committee and a director from 1973 to 1975, was President and a director from 1975 until 1979 and was Chief Executive Officer and chairman from 1979 to 1989.

William A. Marquard. Mr. Marquard has been a director of EMJ since March 1990 and a director of Holding since May 1990. Mr. Marquard also serves as a director of Kelso & Companies, Inc., and InfraReDx, Inc., a photomedical technologies company, and served as a director and chairman of Arkansas Best Corporation, a transportation holding company, until July 2004.

Earl L. Mason. Mr. Mason has been a director of EMJ and Holding since January 2002. Mr. Mason retired in December 2000 from Alliant Exchange (formerly the distribution business of Kraft Foods), after serving as Chief Executive Officer and President since April 1999. Before that, Mr. Mason was Senior Vice President and Chief Financial Officer of Compaq Computer Corporation from May 1996 to April 1999 and held the position of Senior Vice President and Chief Financial Officer of Inland Steel Industries from June 1991 to May 1996. Mr. Mason also served as Group Executive of Digital Equipment Corporation from June 1990 to June 1991 and as Chief Financial Officer of its European subsidiary from October 1987 to June 1990, and held various positions over 15 years at AT&T Corporation. Mr. Mason is also chairman of Computer Horizons Corporation, an enterprise solutions and human capital management company.

Frank T. Nickell. Mr. Nickell has been a director of EMJ and Holding since August 1993. He has been President and a director of Kelso & Companies, Inc. since March 1989 and Chief Executive Officer of Kelso & Companies, Inc. since September 1997. He is also a director of The Bear Stearns Companies Inc., a financial services company, and BlackRock, Inc., a financial management company.

John Rutledge. Dr. Rutledge has been a director of EMJ and Holding since June 1992. Dr. Rutledge is the founder of Rutledge & Company, Inc., a merchant banking firm, and has been chairman since January 1991. He is the founder of Claremont Economics Institute and has been its chairman since January 1979. Dr. Rutledge is also a director of The Amerindo Investment Fund, a financial management company, and CROM Corporation, a designer and manufacturer of prestressed concrete tanks, and served as a director of Lazard Freres Funds, a financial management company, until January 2004.

David I. Wahrhaftig. Mr. Wahrhaftig has been a director of EMJ and Holding since July 2003. Mr. Wahrhaftig has been a Managing Director of Kelso & Company, L.P. and a director of Kelso & Companies, Inc. since April 1997, after joining the firm in 1987. Mr. Wahrhaftig is also a director of Endo Pharmaceuticals, Inc., a specialty pharmaceutical company, BWAY Corporation, a general line container manufacturing company, and Consolidated Vision Group, an operator of discount retail eyeglass and contact lens stores.

Joseph T. O Donnell, Jr. Mr. O Donnell has been a director of EMJ and Holding since January 1, 2005. Mr. O Donnell is a founding partner of Briscoe Capital Management, LLC, an investment advisory firm that manages a portfolio of senior secured debt. Mr. O Donnell is currently a director of Endo Pharmaceuticals Holdings, Inc., a director of Metzler North America Corp., the U.S.-based corporate finance affiliate of B. Metzler seel. Sohn & Co., Frankfurt, Germany, and President of Van Beuren Capital, L.L.C., a private merchant banking and advisory firm. Until December 31, 2002, Mr. O Donnell was President of Metzler Corporation. Prior to joining Metzler, Mr. O Donnell spent 26 years at various

affiliates of Bankers Trust Corporation. From 1986 to 2000, he was involved in the acquisition and leveraged finance business. Prior to 1986, he was involved

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in Bankers Trust s global airline and aerospace division and in middle-market financing activities in the New York Metropolitan area.

Board of Directors

Upon consummation of this offering, our bylaws will authorize a board of directors consisting of at least three, but not more than nine, members and the initial board of directors will consist of eight members. Our bylaws provide that each member of our board of directors serves until the next annual meeting of our stockholders. Pursuant to Holding s stockholders agreement and the terms of the Holding series A preferred stock, Mr. Nelson was designated by the management stockholders as a director, Mr. Mason was designated by the holders of Holding series A preferred stock as a director and the remaining directors were designated by KIA IV, an affiliate of Kelso & Companies, Inc. Holding s stockholders agreement will terminate upon consummation of this offering and the Holding series A preferred stock will be converted into cash and our common stock pursuant to the financial restructuring. We have agreed with the Kelso funds that for so long as the Kelso funds own in excess of 20% of our issued and outstanding common stock, the Kelso funds will be entitled to designate two directors, and for so long as the Kelso funds own in excess of 10% of our issued and outstanding common stock, the Kelso funds will be entitled to designate one director, to be included in the slate of directors nominated by us for election to our board of directors in our annual proxy statement.

We believe that three of our directors, Messrs. Mason, Rutledge and O Donnell, are currently independent under the requirements of The New York Stock Exchange, the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission s rules and regulations. We intend to have a board of directors comprised of a majority of independent directors within 12 months after the listing of our common stock on The New York Stock Exchange in accordance with the transition period provided by the rules of The New York Stock Exchange for issuers listing in conjunction with their initial public offering.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Our board may establish other committees from time to time to facilitate management of EMJ.

Audit Committee

The audit committee will oversee our accounting and financial reporting processes, as well as the audits of our financial statements, including retaining and discharging our auditors. The audit committee will be comprised of not fewer than three directors, each of whom will be independent under the requirements of The New York Stock Exchange, the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission s rules and regulations promulgated thereunder. Upon the closing of this offering, the audit committee will be comprised of Messrs. Mason (Chairperson), Rutledge and O Donnell.

Compensation Committee

The compensation committee will oversee the administration of our equity-based compensation plans, review and administer all compensation arrangements for our executive officers and establish and review general policies relating to compensation and benefits for our officers and employees. The compensation committee will be comprised of not fewer than two directors, each of whom will be independent under the requirements of The New York Stock Exchange. Upon the closing of this offering, the compensation committee will be comprised of Messrs. Mason, Rutledge and O Donnell.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee will identify and recommend to the board of directors appropriate director nominee candidates and provide oversight with respect to corporate governance matters. The

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nominating and corporate governance committee will be comprised of not fewer than two directors, each of whom will be independent under the requirements of The New York Stock Exchange. Upon the closing of this offering, the nominating and corporate governance committee will be comprised of Messrs. Mason, Rutledge and O Donnell.

Director Compensation

Holding granted an aggregate of 34,000 shares of Holding common stock to Mr. Roderick in consideration of his service as chairman of the board of Holding and EMJ for fiscal years 1995, 1996 and 1997. Effective April 1, 1997, April 1, 1998, April 1, 1999, April 1, 2000 and April 1, 2001, in consideration for his service as a director, chairman of the executive committee and chairman of the board, we granted Mr. Roderick options to purchase 20,000 shares of Holding common stock, in each case at exercise prices per share equal to the fair market value of the Holding common stock as established by the most recent appraisal available at the date of the grant. Each year, from 1998 through 2001, each other non-officer director, other than Messrs. Schuchert and Nickell, received options to purchase 10,000 shares of Holding common stock at exercise prices per share equal to the fair market value of the Holding common stock, as established by the most recent appraisal available, at the date of grant. These options are fully vested. On December 16, 2004, Holding amended its stock option plan to adjust the exercise price and the number of shares of Holding common stock that can be purchased pursuant to each stock option grant to offset the reduction in appraised value of the Holding common stock resulting from the change in valuation methodology required by the amended consent order for our stock bonus plan. Upon the consummation of the financial restructuring, the options held by Messrs. Roderick, Marquard and Rutledge will convert into options to purchase EMJ common stock and will be exercisable for an equal amount of our common stock at the same exercise price.

Since April 1, 2002, each of our non-officer directors has received an annual retainer of $20,000, payable quarterly, except for (1) Mr. Roderick, who as chairman of the board has received an annual retainer of $30,000, payable quarterly, (2) Messrs. Nickell and Wahrhaftig, who have not received compensation for their services as directors, and (3) Mr. Mason, who as chairman of the audit committee has received $25,000, payable quarterly, since April 1, 2004. On December 21, 2004, Holding paid a bonus of $202,640 to Mr. Roderick in consideration of his service as chairman of the board of Holding and EMJ.

Effective upon consummation of the financial restructuring and this public offering, each of our non-officer directors, except Messrs. Nickell and Wahrhaftig and directors designated by the Kelso funds pursuant to the nominating agreement who do not qualify as independent directors under our corporate governance guidelines, who will not receive compensation for their services as directors, will receive the following in consideration for their service as directors: (1) an annual retainer of $32,000, payable quarterly, except for the chairman of the board, who will receive an annual retainer of $42,000, payable quarterly, (2) $2,000 per meeting of our board of directors that the director attends, whether in person or otherwise, payable quarterly, and (3) pursuant to our stock incentive plan, an annual grant of options to purchase 10,000 shares of our common stock at an exercise price per share equal to the fair market value of our common stock on the grant date (the first of which will be granted on the date of this prospectus at an exercise price per share equal to the initial public offering price). The options granted to our non-officer directors will vest completely on the day following the six month anniversary of the grant date. Each member of the audit and compensation committees will also receive $1,000 per committee meeting that the member attends, whether in person or otherwise. In addition, the chairmen of the audit and compensation committees will receive $10,000 and $5,000 per year, respectively. All non-officer directors are entitled to reimbursement of their reasonable out-of-pocket expenses in connection with their travel to, and attendance at, meetings of our board of directors or committees thereof.

Compensation Committee Interlocks and Insider Participation

Upon consummation of the financial restructuring and this offering, our compensation committee will consist of Messrs. Mason, Rutledge and O Donnell. Prior to the financial restructuring and this offering, our executive committee, comprised of Messrs. Nelson, Nickell and Roderick, served as our compensation

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committee. Mr. Nelson has served as our president, chief executive officer and chief operating officer since February 1, 1997. Mr. Nelson s compensation is described below under Executive Compensation and his equity ownership is described below under Holding Stock Option Plan, Stock Incentive Plan and Principal Stockholders. Certain arrangements between Mr. Nelson and Holding and EMJ concerning his equity ownership and compensation are described below under Performance Bonus, Retention Agreement and Certain Relationships and Related Transactions. Mr. Nickell is president, chief executive officer and a director of Kelso & Companies, Inc., the general partner of Kelso & Company, L.P. Mr. Nickell is also a general partner of Kelso Partners I, L.P., or KP I, Kelso Partners III, L.P., or KP III, and Kelso Partners IV, L.P., or KP IV, which are the general partners of KIA I, KIA III-EMJ and KIA IV, respectively. As of the date of this prospectus, the Kelso funds and other Kelso affiliates, including Mr. Nickell, hold 8,259,799 shares of Holding common stock and 24,519 shares of Holding series A preferred stock. As of the date of this prospectus, KIA IV also holds approximately $257.1 million of the Holding notes (including accrued but unpaid interest) and warrants to purchase 2,937,915 shares of Holding common stock. Mr. Nickell shares investment power and voting power with respect to shares of Holding common stock that are, and, upon consummation of the financial restructuring and this offering, will share investment and voting power with respect to shares of our common stock that will be, held by KIA I, KIA III-EMJ and KIA IV. See Certain Relationships and Related Transactions and Principal Stockholders for a description of (1) certain agreements entered into among us, Kelso and the Kelso funds, (2) the Kelso funds interest in the financial restructuring and (3) the Kelso funds ownership of our common stock. Mr. Roderick is a director of Kelso & Companies, Inc. As described above under Director Compensation, we have granted Mr. Roderick options, paid him an annual cash retainer and paid him a bonus in consideration for his service as a director, chairman of the executive committee and chairman of the board.

None of our executive officers serves as a member of the board of directors or compensation committee of any other company that has one or more executive officers serving as a member of our board of directors or compensation committee.

Executive Compensation

The following table sets forth compensation for the three fiscal years ended March 31, 2004 for our chief executive officer and our four most highly compensated executive officers as of March 31, 2004. Our officers received no additional compensation for their services as officers of Holding.

Summary Compensation Table

		Annual Compensation		Long-Term Compensation Awards	
Name and Principal Position	**Year**	**Salary**	**Bonus(1)**	**Securities Underlying Stock Options(2)**	**All Other Compensation(3)**
Maurice S. Nelson, Jr.	2004	$ 551,326	$ 452,504		$ 55,500
President, Chief Executive Officer and Chief	2003	555,762	374,388		52,049
Operating Officer	2002	555,762	270,738		47,150
Frank D. Travetto	2004	245,987	172,491		25,769
	2003	244,460	142,714	10,000	25,273
Vice President, Merchandising	2002	238,070	99,659	10,000	23,233
Kenneth L. Henry	2004	245,171	177,187		28,714
	2003	235,442	136,161	10,000	27,355

Executive Vice President	2002	226,978	94,921	10,000	25,397
R. Neil McCaffery	2004	223,316	156,650		22,440
	2003	220,960	129,608	10,000	20,418
Executive Vice President	2002	212,600	90,182	10,000	18,220
James D. Hoffman	2004	224,975	156,650		21,552
	2003	222,497	129,608	10,000	19,588
Vice President	2002	214,137	90,182	10,000	17,313

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(1) Amounts reflect cash bonuses earned by executive officers in each of the fiscal years presented, including amounts received after fiscal year end or deferred at the election of those officers. Bonus amounts include a cash bonus payable pursuant to our management incentive compensation plan, which became effective April 1, 1997.

(2) Holding has granted executive officers options to purchase shares of Holding common stock at their fair market value on the date of grant. The numbers shown do not reflect that, pursuant to the amendment to the Holding stock option plan described below under Holding Stock Option Plan, on December 16, 2004, the number of shares of common stock underlying these options was increased by a factor of 1.7641. These options will become exercisable for an equal number of shares of our common stock at the same exercise prices upon consummation of the financial restructuring.

(3) Amounts shown include allocations to the accounts of each of the named officers of contributions made by us to our stock bonus plan and to our 401(a)(17) Supplemental Contribution Plan (401(a)(17) Plan) and of premiums paid by us for long-term disability and life insurance policies. The following allocations were made in fiscal 2004 for Messrs. Nelson, Travetto, Henry, McCaffery and Hoffman, respectively: (1) 401(a)(17) Plan $40,126, $10,855, $10,888, $8,940 and $8,940; (2) long-term disability $4,668, $3,745, $6,779, $3,006 and $2,318; and (3) life insurance $706, $1,169, $1,047, $494 and $294. The following allocations were made in fiscal 2003 for Messrs. Nelson, Travetto, Henry, McCaffery and Hoffman, respectively: (1) stock bonus plan $10,000, $10,000, $10,000, $10,000, and $10,000; (2) 401(a)(17) Plan $36,220, $9,261, $8,372, $7,483 and $7,483; (3) long-term disability $4,509, $3,745, $6,779, $2,133 and $1,623; and (4) life insurance $1,320, $2,267, $2,204, $802 and $482. The following allocations were made in fiscal 2002 for Messrs. Nelson, Travetto, Henry, McCaffery and Hoffman, respectively: (1) stock bonus plan $8,500, $8,500, $8,500, $8,500, and $8,500; (2) 401(a)(17) Plan $32,538, $8,180, $7,387, $6,593 and $6,593; (3) long-term disability $4,509, $3,745, $6,779, $2,133 and $1,623; and (4) life insurance $1,603, $2,808, $2,731, $994 and $597. The amounts in respect of life insurance represent the estimated value of the premiums paid by us on certain disability and life insurance policies covering each executive. Some of the policies are managed on a split-dollar basis and we will receive the premiums we paid from the proceeds of such insurance. In such cases, the amount of the other compensation attributed to the executive was calculated by treating the premiums paid by us as a demand loan, and the amount of compensation is equal to the imputed interest expense on the cumulative outstanding premiums paid by us, assuming an interest rate equal to the short-term federal funds rate, from time to time.

Option Grants in Fiscal 2004

Neither we nor Holding granted stock options to our chief executive officer or our next four most highly compensated executive officers during our fiscal year ended March 31, 2004.

Fiscal 2004 Option Values

The following table sets forth certain information concerning the value of unexercised stock options held as of March 31, 2004 by our chief executive officer and our next four most highly compensated executive officers. None of these individuals exercised stock options in fiscal 2004.

Fiscal Year-End Option Values

Name	Number of Securities Underlying Options at Fiscal Year-End (all exercisable) (1)	Value of Unexercised In-the-Money Options at Fiscal Year-End

		(all exercisable) (1)(2)
Maurice S. Nelson, Jr.	1,320,000(3)	$ 8,698,800(3)
Frank D. Travetto	95,000	496,900
Kenneth L. Henry	95,000	496,900
R. Neil McCaffery	95,000	496,900
James D. Hoffman	95,000	496,900

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(1) The numbers shown do not reflect that, pursuant to the amendment to the Holding stock option plan described below under Holding Stock Option Plan, on December 16, 2004, the number of shares of common stock issuable underlying these options was increased by a factor of 1.7641 and the exercise price of these options was decreased by a factor of 0.5569.
(2) The value of unexercised in-the-money options is based on an assumed initial public offering price of $12.00 per share, the mid-point of the range shown on the cover of this prospectus.
(3) We redeemed 360,000 of these options for a purchase price of $3,006,000 on December 16, 2004.

Performance Bonus

In December 2004, EMJ paid a one-time bonus of $3,500,000 to Mr. Nelson for his services to EMJ since April 1, 2004, including, without limitation, his efforts to improve the operating performance of EMJ and implement the financial restructuring and this offering.

Retention Agreement

On December 17, 2004, Mr. Nelson entered into a retention agreement with EMJ whereby we will pay Mr. Nelson a stay bonus of $3,000,000 on March 31, 2007 if he continues to serve as our president and chief executive officer through such date. Mr. Nelson will also be paid this bonus if his employment with EMJ (1) terminates due to his death, (2) is terminated by us due to his permanent disability or without cause (as defined in the retention agreement and including a material breach of the transfer restriction described herein) or (3) is terminated by Mr. Nelson for good reason (as defined in the retention agreement). In addition, Mr. Nelson has agreed for a period of two years following the closing of this offering to not sell any shares of our common stock acquired by him upon conversion of Holding capital stock in the financial restructuring or by the exercise of Holding stock options that are converted into our stock options in the financial restructuring. In consideration of this transfer restriction, we have extended the exercise period of Mr. Nelson s outstanding stock options two years to January 31, 2009.

Holding Stock Option Plan

In fiscal 1997, the Holding stock option plan was adopted. Our board of directors and executive committee, which was comprised of Messrs. Roderick, Nelson and Nickell, has been authorized to grant options to purchase Holding common stock under the Holding stock option plan. As of the date of this prospectus, there are options outstanding to purchase an aggregate of 3,053,668 shares of Holding common stock at a weighted average exercise price of $3.35 per share, all of which are fully vested, which reflects the amendment to the Holding stock option plan and redemption of options held by Mr. Nelson in December 2004, as described below. These options will be exercisable for an equal number of shares of our common stock at the same exercise prices upon consummation of the financial restructuring. The stock options were granted with exercise prices per share not less than the fair market value of Holding common stock as established by the most recent appraisal available on the date of grant and are generally exercisable for a period not exceeding ten years.

Concurrently with the amendment of the consent order for our stock bonus plan in December 2004, Holding amended the Holding stock option plan and outstanding options to offset the adverse effects caused by the change in the methodology used to determine the appraised value of the Holding common stock. Pursuant to the amendment, the number of shares of Holding common stock issuable upon the exercise of each option was increased by a factor of 1.7641 and the exercise price of each option was reduced by a factor of 0.5569. In addition, the number of shares available for grant under the Holding stock option plan was increased to 4,000,000. Prior to the amendment of the Holding stock option plan and outstanding options, Holding paid Mr. Nelson $3,006,000 in consideration for the redemption of options to purchase 360,000 shares of Holding common stock. The consideration paid by Holding was equal to the difference between $13.76, the appraised value of the Holding common stock as of March 31, 2004, and $5.41, the exercise price for the 360,000 options that were redeemed.

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Holding will not grant any more options under the Holding stock option plan after consummation of the financial restructuring. Our compensation committee will administer this plan with respect to the outstanding options following consummation of this offering.

Stock Incentive Plan

On December 16, 2004, we adopted our 2004 stock incentive plan. Our officers, employees, consultants and directors who are not employees are eligible to participate in this plan. The purpose of this plan is to attract and retain persons eligible to participate in the plan, motivate participants to achieve our long-term goals and further align the interests of participants with those of our stockholders. Our compensation committee will administer the stock incentive plan and has broad discretion to select the persons to whom awards may be granted, as well as the type, size and terms and conditions of each award, including when awards become exercisable or otherwise vest and the exercise price for options granted. Under this plan, new shares of our common stock are available for issuance as awards to participants. We have reserved 2,157,338 shares of our common stock for issuance under the stock incentive plan, which is equal to 5% of the total number of shares of our common stock that will be issued and outstanding immediately after giving effect to the consummation of the financial restructuring and this offering. The maximum aggregate number of shares of our common stock that may be covered by awards granted under the plan to any one participant during any calendar year is 750,000. The stock incentive plan permits grants of the following types of awards:

- non-qualified and incentive stock options;
- stock appreciation rights;
- restricted stock; and
- other stock-based awards.

The stock incentive plan is intended to permit the grant of performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code, which generally limits the deduction that we may take for compensation of our five most senior executive officers. Under Section 162(m), certain compensation, including compensation based on the attainment of performance goals, will not be subject to this limitation if certain requirements are met. The vesting of awards that are intended to qualify as performance based compensation will be based upon business criteria as established by the compensation committee from time to time.

Except as otherwise set forth in an award agreement, in the event of a change in control (as defined in the plan), our compensation committee will have the discretion to accelerate the vesting of any stock option, stock appreciation right or restricted stock awards. The stock incentive plan requires an agreement of merger or reorganization effecting a change in control to provide for the continuation, assumption or substitution of awards granted under the plan, or for the settlement of such awards based on the change in control price (as defined in the plan); provided, that in the absence of an agreement effecting the change in control, all awards will be settled based on the change in control price. The stock incentive plan provides that, unless otherwise set forth in an agreement between a plan participant and EMJ or its affiliate (as defined in the plan), payments or rights under the plan will be reduced to the extent necessary to prevent payments or benefits to which the participant is otherwise entitled from being subject to the excise tax under the so-called golden parachute rules under the Code.

On the date of this prospectus, we will grant to Messrs. Roderick, Marquard, Mason, Rutledge and O Donnell, each of whom are non-officer directors, options exercisable for an aggregate of 50,000 shares of our common stock at an exercise price per share equal to the initial public

offering price. To date, no other awards have been granted under the stock incentive plan. After the consummation of the financial restructuring and this offering, we intend to file a registration statement on form S-8 covering the shares of our common stock reserved for issuance under the stock incentive plan and under the options we assume under the Holding stock option plan. Unless the stock incentive plan is earlier terminated by our board of directors, the plan will automatically

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terminate on December 17, 2014. Awards granted before the termination of the stock incentive plan may extend beyond that date in accordance with their terms.

Stock Bonus Plan

Holding maintains a stock bonus plan for our nonunion employees who meet certain service requirements. Since April 1, 1999 (when Holding s employee stock ownership plan was amended and became the stock bonus plan), the amount of annual contributions is calculated as a percentage (as determined by our board of directors based on the achievement of our performance objectives) of total cash compensation (as defined in the stock bonus plan) and may be made by us in cash or by Holding in shares of Holding capital stock. Participants become 20% vested in their account balances after one year of continuous service. Participants vest an additional 20% for each year of service thereafter and become fully vested at age 65 or upon completion of five years of service, retirement, disability or death. Following the occurrence of a participant s termination of service (as defined in the stock bonus plan), retirement, disability, or death, the stock bonus plan is required to either distribute the vested balance in stock or, in limited cases, cash depending upon the investment of the participant s plan account. If termination is due to retirement, disability, death, plant closure or job elimination, the distribution occurs in a single sum as soon as is practicable on or after the March 31st, June 30th, September 30th or December 31st that is either the date of termination or first follows the date of termination. If termination occurs for any other reason, the distribution occurs as soon as is practicable after March 31st if that is the date of termination or, if termination is any other date, after the next March 31st following such date of termination.

Upon consummation of the financial restructuring, shares distributed to a participant in Holding s stock bonus plan pursuant to the plan s terms will be transferable subject to the following limitations: (1) shares received by any affiliate within the meaning of Rule 144 under the Securities Act may be resold only in transactions permitted by Rule 144 under the Securities Act or as otherwise permitted under the Securities Act; (2) shares received by certain participants will be subject to restrictions on transfer contained in lock-up agreements entered into by such participants; and (3) shares received by certain participants will be subject to restrictions on transfer contained in transfer restriction agreements entered into by such participants. See Shares Eligible for Future Sale for a description of these restrictions.

With respect to a participant s diversification rights before benefits are distributed under the stock bonus plan, current plan provisions will be maintained and a participant will be able to diversify his or her account under the stock bonus plan after having attained age 55 and completed ten years of service. Generally, under such provisions, participants who meet these requirements can elect to diversify certain accounts invested in Holding common stock into other specified investments during an election period of six consecutive years beginning with the year in which they become first eligible for diversification. For each of the first five years in the election period, diversification may not exceed 25% of the relevant shares (less all shares previously diversified). Diversification in the last year of the election period may not exceed 50% of the relevant shares (less all shares previously diversified). Except for their diversification rights, participants may not currently sell shares in their accounts. Holding, however, has amended the stock bonus plan in connection with this offering to provide that shares held in all participant accounts invested in our common stock will become eligible for diversification, as follows: (1) up to 25% of such accounts at any time after the six month anniversary of the closing of this offering until the 12 month anniversary of the closing of this offering; (2) up to 50% of such accounts at any time after the 12 month anniversary of the closing of this offering until the 18 month anniversary of this offering; (3) up to 75% of such accounts at any time after the 18 month anniversary of this offering until the 24 month anniversary of the closing of this offering; and (4) up to 100% of such accounts at any time after the 24 month anniversary of the closing of this offering. The shares eligible for diversification as provided above will be those shares of our common stock allocated to such accounts as of the closing of this offering, plus additional shares contributed to the stock bonus plan pursuant to the special contribution, which will be eligible for diversification as provided above immediately following the special contribution.

As of the date of this prospectus, shares of Holding series A preferred stock, Holding series B preferred stock and Holding common stock owned by the plan total 32,889, 27,861 and 2,454,119 shares, respectively.

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Series B preferred stock shares include dividends declared and paid in-kind for each of the first two quarters of fiscal 2005. For the fiscal years ended March 31, 2002, 2003 and 2004 and the nine months ended December 31, 2004, contributions payable to the plan totaled $2.8 million, $2.8 million, $2.8 million and $2.9 million respectively. The contributions payable for fiscal years 2002 and 2003 have been paid in cash and the fiscal 2004 contribution was paid in cash in October 2004.

In 1984, 1985 and 1986, our predecessor purchased life insurance policies to provide, among other things, a separate source for funds to repurchase capital stock, including capital stock distributed by the plan, from departing employees. Certain of these policies allow us to borrow against the cash surrender value of such policies. As of December 31, 2004, we had borrowed $203.9 million against the cash surrender value of such policies to fund renewal premiums, accrued interest on previous borrowings and working capital needs. The net cash surrender value available for future borrowings was approximately $3.5 million as of December 31, 2004. Our domestic credit facility and other resources are also available, subject to certain limitations, to satisfy stock repurchase obligations as they arise.

On March 8, 2002, we were sued by the DOL for alleged breaches of fiduciary duty by former members of our benefits committee that administered our stock bonus plan in relying on the valuations of the Holding common stock prepared by our independent appraiser and allegedly resulting in prohibited transactions. This matter was settled in January 2003 and an amendment to the related consent order was entered into in January 2005. See Business Legal Proceedings U.S. Department of Labor for information concerning the amended consent order and release and a special contribution of additional shares of common stock to the stock bonus plan with respect to the shares of Holding common stock contributed from 1994 through 2000.

Pursuant to applicable provisions of ERISA, it is permissible to eliminate any investment alternative available under the stock bonus plan, if appropriate, and therefore the shares of our common stock held by the stock bonus plan may be sold at any time if such shares are eliminated as an investment alternative. In addition, although neither Holding nor EMJ has expressed any intent to terminate the stock bonus plan, they have the right to terminate or amend the provisions of the plan at any time. In the event a participant s employment is terminated, the participant becomes fully vested to the extent of the balance in the participant s separate account and receives a put option with respect to Holding stock allocated to the participant s account. Upon the closing of the financial restructuring and this offering, however, participants will no longer have the right to exercise their put options with respect to the common stock allocated to their accounts upon termination of their employment. Upon consummation of the financial restructuring, (1) the Holding common stock allocated to participants accounts will be converted into shares of our common stock, (2) the series A preferred stock allocated to participants accounts will be converted into shares of our common stock and cash and (3) the Holding series B preferred stock will be converted into shares of our common stock and cash.

401(a)(17) Supplemental Contribution Plan

In fiscal 1996, Holding adopted a supplemental contribution plan for contributions not allowed under our stock bonus plan pursuant to limitations of Sections 401(a)(17) and 415 of the Internal Revenue Code of 1986, as amended. Participants in the supplemental plan consist of certain highly compensated employees and other employees who are not eligible to participate in the stock bonus plan. Contributions payable, vesting and distributions under the supplemental plan are comparable with those under the stock bonus plan. Contributions under the supplemental plan are made in cash and are held in an irrevocable trust. For the fiscal years ended March 31, 2002, 2003 and 2004, contributions payable totaled $0.1 million, $0.1 million and $0.1 million, respectively. Effective upon the consummation of this offering and the financial restructuring, we will assume Holding s obligations under the supplemental contribution plan.

Management Incentive Compensation Plan

Effective April 1, 1997, we adopted a management incentive compensation plan. The incentive plan provides for payment of cash bonuses to senior executives and other key management employees based on the

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achievement of certain operating profit and cash flow objectives determined by our board of directors or, after this offering, our compensation committee. Bonuses awarded are based on a sliding scale based on the percentage of the objectives achieved. No bonus is payable unless at least 80% of the objectives are achieved, and the maximum bonus would be awarded for achievement of 150% or more of the established objectives. In addition, our chief executive officer may award bonuses from a discretionary pool for exemplary service. The board of directors ratified bonuses pursuant to the incentive plan aggregating $4.0 million in fiscal 2002, $5.6 million in fiscal 2003 and $6.7 million in fiscal 2004.

Public Offering Bonus Plan

As soon as practicable after, and conditioned upon consummation of, this offering, we will pay a taxable bonus (1) in the aggregate amount of $7.5 million to our employees on the closing date who are also participants in the stock bonus plan, to be allocated to such employees in the proportion that the number of shares of Holding common stock allocated to an employee s stock bonus plan account on December 16, 2004 bears to the aggregate number of shares of Holding common stock allocated to the stock bonus plan accounts of all such employees, which bonus is expected to be approximately $3.27 per share of Holding common stock held in the stock bonus plan, and (2) in the aggregate amount of $1.0 million to participants who are not participants in our management incentive compensation plan or our sales bonus plan and are scheduled to receive the above-referenced employee bonus in an amount that is less than the maximum bonus that could be allocated to such participants (approximately $3,337), to be allocated to such employees in an amount that is equal to the difference between such maximum and the amount of the bonus described in clause (1) except if the participant has been employed for less than one year, such person will receive a prorated amount based on actual days of service.

Supplemental Stock Bonus Plan

In connection with the amended consent order entered into with the DOL in January 2005, we adopted a supplemental stock bonus plan for purposes of making a special contribution of shares of common stock in excess of certain limits imposed on our stock bonus plan by Internal Revenue Service rules, which will be effective March 31, 2006. See Business Legal Proceedings Department of Labor for information concerning the amended consent order and release and the special contribution of additional shares of common stock to the stock bonus plan with respect to shares of Holding common stock contributed from 1994 through 2000. Applicable provisions of the stock bonus plan relating to vesting and distributions of benefits also apply to benefits accrued under the supplemental stock bonus plan. See Stock Bonus Plan above for further information.

Former Employees Cash Bonus Plan

In connection with the amended consent order entered into with the DOL in January 2005, we adopted a cash bonus plan to provide for that portion of the special contribution that is to be made in cash. Cash bonuses have been paid through the cash bonus plan in the amount of $1,056,465 to participants who are no longer employed by EMJ. See Business Legal Proceedings U.S. Department of Labor for information concerning the amended consent order and release of a special contribution of additional shares of common stock to the stock bonus plan with respect to shares of Holding common stock contributed from 1994 through 2000.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Financial Restructuring

This offering is related to a financial restructuring transaction, which we refer to as the financial restructuring, pursuant to which Holding will be merged into a wholly owned subsidiary of EMJ, resulting in the following:

- the exchange of all of Holding s senior notes, or the Holding notes, including interest accrued through September 29, 2004, for cash and shares of EMJ common stock;
- the conversion of all outstanding shares of Holding series A preferred stock, including dividends accrued through September 29, 2004, into cash and shares of EMJ common stock;
- the conversion of all outstanding shares of Holding series B preferred stock (all accumulated dividends have been paid in-kind through September 29, 2004) into cash and shares of EMJ common stock;
- the conversion of all outstanding shares of Holding common stock into an equal number of shares of EMJ common stock;
- the exchange of all outstanding warrants to purchase shares of Holding common stock for shares of EMJ common stock; and
- our assumption of the obligations of Holding to issue 3,053,668 shares of Holding common stock under all outstanding Holding stock options. These options will become exercisable for an equal number of shares of EMJ common stock at the same exercise prices and on the same terms and conditions as provided in the Holding stock option agreements and stock option plan.

Completion of the financial restructuring is conditioned upon, among other things, (1) consummation of this offering at an initial public offering price that is not less than $7.00 per share and (2) the offering resulting in at least $100 million of net proceeds to EMJ. The consummation of this offering is conditioned upon and will occur on the same day as the completion of the financial restructuring.

Using an exchange or conversion ratio based on a value of $12.00 for each share of EMJ common stock, which is the assumed initial public offering price per share based on the mid-point of the range shown on the cover of this prospectus, and assuming net proceeds of this offering of $223,800,000 (before taking into account estimated offering expenses payable by us, as set forth under Use of Proceeds), we will issue the following amounts of EMJ common stock and pay the following amounts of cash to holders of Holding notes, Holding series A preferred stock and Holding series B preferred stock upon consummation of the financial restructuring:

- 6,980,351 shares of EMJ common stock and $173.3 million in cash based on the $257.1 million aggregate amount of Holding notes outstanding as of the date of this prospectus (including interest accrued through September 29, 2004);

1,276,733 shares of EMJ common stock and $31.7 million in cash based on 57,573 outstanding shares of Holding series A preferred stock valued at approximately $47.0 million as of the date of this prospectus (including dividends accrued through September 29, 2004);

757,091 shares of EMJ common stock and $18.8 million in cash based on 27,882 outstanding shares of Holding series B preferred stock valued at approximately $27.9 million as of the date of this prospectus (all accumulated dividends have been paid in-kind through September 29, 2004);

11,197,122 shares of EMJ common stock based on 11,197,122 shares of Holding common stock outstanding as of the date of this prospectus; and

2,935,467 shares of EMJ common stock based on warrants to purchase 2,937,915 shares of Holding common stock outstanding as of the date of this prospectus.

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If the initial public offering price per share is higher than $12.00 or the net proceeds of this offering, before taking into account estimated offering expenses payable by us, are greater than $223,800,000, we will issue fewer shares of our common stock to the Holding stockholders and noteholder upon consummation of the financial restructuring. If the initial public offering price per share is less than $12.00 or the net proceeds of this offering, before taking into account estimated offering expenses payable by us, are less than $223,800,000, we will issue more shares of our common stock to the Holding stockholders and noteholder upon consummation of the financial restructuring. If the offering price per share is $7.00 and the net proceeds of their offering are $100 million, which are the minimum conditions to closing the financial restructuring, we would issue 47,269,426 shares of EMJ common stock to the Holding stockholders and noteholder upon consummation of the financial restructuring.

All of the shares of EMJ common stock issued in connection with the financial restructuring have been registered under the Securities Act on a registration statement on Form S-4 filed by EMJ. This means the shares issued pursuant to the financial restructuring will be freely tradable without restriction or further registration under the Securities Act, unless held by an affiliate as that term is defined in Rule 144 under the Securities Act or subject to the terms of the lock-up agreements, transfer restriction agreements or restrictions on transfer contained in the stock bonus plan described under the heading Shares Eligible for Future Sale.

To effect the financial restructuring, we have entered into (1) an agreement and plan of merger and reorganization, as amended, with Holding and a wholly owned subsidiary of EMJ and (2) an exchange agreement with Holding and Kelso Investment Associates, L.P., or KIA I, Kelso Equity Partners II, L.P., or KEP II, KIA III-Earle M. Jorgensen, L.P., or KIA III-EMJ, and Kelso Investment Associates IV, L.P., or KIA IV (collectively known as the Kelso funds). The Holding stockholders approved and adopted the merger agreement and approved the financial restructuring at a special meeting of stockholders held on April 13, 2005.

In connection with the consummation of the financial restructuring and this public offering, we (1) have agreed to contribute up to 2,461,547 shares of our common stock to our stock bonus plan and pay cash bonuses of $1,056,465 in the aggregate to participants who are no longer employed by us in connection with the amended United States Department of Labor consent order for our stock bonus plan that was entered by the court on January 3, 2005 and (2) will pay a taxable bonus to our employees on the closing date who are also participants in our stock bonus plan in an aggregate amount of $8.5 million, as described under the headings Business Legal Proceedings U.S. Department of Labor and Management Public Offering Bonus Plan.

Kelso

As of the date of this prospectus, the Kelso funds and other Kelso affiliates, including one of our directors, holds 8,259,799 shares of Holding common stock, which represents 73.8% of the issued and outstanding shares of Holding common stock, and 24,519 shares of Holding series A preferred stock, which represents 42.6% of the issued and outstanding shares of Holding series A preferred stock. Pursuant to the exchange agreement, the Kelso funds voted all of the Holding capital stock owned by them in favor of the merger agreement and the financial restructuring. As of the date of this prospectus, KIA IV also holds approximately $257.1 million of the Holding notes (including accrued but unpaid interest) and warrants to purchase 2,937,915 shares of Holding common stock, which represents all of the outstanding Holding notes and all of the outstanding Holding warrants. Upon consummation of the financial restructuring and this offering, the Kelso funds and other Kelso affiliates will own 18,719,350 shares of our common stock, representing 43.4% of our issued and outstanding common stock, and receive $186,804,677 in cash, assuming an initial public offering price of $12.00 per share, the mid-point of the range shown on the cover of this prospectus, and net proceeds of this offering of $223,800,000 (as set forth under Use of Proceeds).

Mr. Nickell is a general partner of KP I, KP III and KP IV. Mr. Nickell is also president, chief executive officer and a director of Kelso & Companies, Inc., which is the general partner of Kelso & Company, L.P. Mr. Wahrhaftig is a general partner of KP IV and a managing director and a member of the board of directors of

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Kelso & Companies, Inc. KP I, KP III and KP IV are the general partners of KIA I, KIA III-EMJ and KIA IV, respectively. Mr. Nickell is a director of Holding and EMJ and will share investment and voting power with respect to shares of our common stock that will be held by KIA I, KEP II, KIA III-EMJ and KIA IV upon consummation of the financial restructuring and this offering. Mr. Wahrhaftig is a director of Holding and EMJ and will share investment and voting power with respect to shares of our common stock that will be held by KIA IV upon consummation of the financial restructuring and this offering. Each of Messrs. Roderick, Marquard and Rutledge are nominees of KIA IV on our board of directors. Messrs. Roderick and Marquard are members of the board of directors of Kelso & Companies, Inc.

Pursuant to Holding s stockholders agreement among Holding, KIA III-EMJ, KEP II, KIA IV, and certain other Holding stockholders and the terms of the Holding series A preferred stock, Mr. Nelson was designated by the management stockholders as a director, Mr. Mason was designated by the holders of Holding series A preferred stock and the remaining directors were designated by KIA IV. Holding s stockholders agreement also grants put rights to certain management stockholders whereby, in certain circumstances, select stockholders may sell their shares of common stock to Holding, or should Holding so determine, to our stock bonus plan, for fair market value. In addition, the agreement places certain restrictions on the sale of shares of Holding common stock to third parties by stockholders party to the agreement. Holding s stockholders agreement will terminate upon consummation of this offering and the Holding series A preferred stock will be exchanged for cash and our common stock pursuant to the financial restructuring.

Prior to the consummation of this offering, we will enter into an agreement with the Kelso funds, other Kelso affiliates and Mr. Nelson pursuant to which we will provide the Kelso funds, other Kelso affiliates and Mr. Nelson with certain demand and piggyback registration rights with respect to their shares of our common stock, including the 18,719,350 shares (16,384,292 shares if the underwriters over-allotment option is exercised in full) of our common stock held by them immediately following the consummation of this offering. These demand and piggyback registration rights will be exercisable upon the expiration of the lock-up agreements entered into by the Kelso funds, other Kelso affiliates and Mr. Nelson in connection with this offering. Pursuant to the demand registration rights, the Kelso funds and other Kelso affiliates may require us to prepare and file a registration statement under the Securities Act of 1933, at our expense, covering all or a portion of their shares.

We have also agreed with the Kelso funds that for so long as the Kelso funds own in excess of 20% of our issued and outstanding common stock, the Kelso funds will be entitled to designate two directors, and for so long as the Kelso funds own in excess of 10% of our issued and outstanding common stock, the Kelso funds will be entitled to designate one director, to be included in the slate of directors nominated by us for election to our board of directors in our annual proxy statement.

In connection with the formation of EMJ, we agreed to pay Kelso an annual fee of $1,250,000 for financial advisory services and to reimburse it for out-of-pocket expenses incurred in connection with rendering these services. However, Kelso waived this annual fee for fiscal years 2000, 2001, 2002, 2003 and 2004 and has not received any of this annual fee in fiscal 2005. Amounts paid to Kelso in fiscal years 2000, 2001, 2002, 2003, 2004 and 2005 for reimbursement of expenses incurred by directors designated by KIA IV in attending our board meetings were not significant. On December 17, 2004, we and Kelso entered into an amendment to our financial advisory agreement pursuant to which on January 10, 2005 we paid Kelso a fee of $6,250,000 to terminate our obligation to pay fees to Kelso under the agreement. The obligations of Kelso to provide financial advisory services and our obligations with respect to the reimbursement of expenses of and indemnification of Kelso are still in effect.

Maurice S. Nelson, Jr.

Maurice S. Nelson, Jr. is president, chief executive officer and a director of EMJ and Holding. On December 16, 2004, Holding paid Mr. Nelson a cash payment of $3,006,000 (equal to the difference between the appraised value of the Holding common stock as of March 31, 2004 of $13.76 and the exercise price of $5.41 per

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share) in consideration of the redemption of options to purchase 360,000 shares of Holding common stock held by Mr. Nelson. Concurrently with the amendment of the consent order for our stock bonus plan and after the redemption of Mr. Nelson s options, Holding amended its stock option plan to adjust the exercise price and the number of shares of Holding common stock that can be purchased pursuant to each option grant to offset the reduction in the appraised value of the Holding common stock resulting from the change in valuation methodology required by the amended consent order. As a result of this change, Mr. Nelson s remaining options to purchase 960,000 shares of Holding common stock at an exercise price of $5.41 per share were converted into options to purchase 1,693,538 shares of Holding common stock at an exercise price of $3.07 per share. In connection with the financial restructuring, all of the issued and outstanding options to purchase shares of Holding common stock, including those held by Mr. Nelson, will be converted into options to purchase an equal number of shares of our common stock at the same exercise prices.

Messrs. Roderick, Marquard, Rutledge, Mason and O Donnell

After giving effect to the amendment to the Holding stock option plan, Messrs. Roderick, Marquard and Rutledge hold options to purchase 176,410, 70,564 and 70,564 shares of Holding common stock, respectively, at weighted-average exercise prices of $3.32, $3.39 and $3.39, respectively. Upon consummation of the financial restructuring, the options held by Messrs. Roderick, Marquard and Rutledge will be converted into an equal number of options to purchase our common stock at the same exercise prices as the Holding stock options held by each of them. On the date of this prospectus, each of Messrs. Roderick, Marquard, Rutledge, Mason and O Donnell will receive a grant of options to purchase 10,000 shares of our common stock at an exercise price equal to the initial public offering price. These options will vest in full on the day following the six month anniversary of the date of grant.

On December 21, 2004, Holding paid Mr. Roderick a bonus of $202,640 as compensation for his service as chairman of the Holding and EMJ boards of directors.

Holding

We entered into a management agreement with Holding as of March 8, 1993 for Holding to provide us certain management, accounting, financial advisory and consulting services. We agreed to pay Holding a fee equal to the aggregate compensation costs incurred by Holding in providing these services plus 5% of the aggregate salaries of employees providing these services, and to reimburse Holding for its accounting, legal and other fees and expenses incurred in the ordinary course of business in providing these services. The total amount payable to Holding under the management agreement for the reimbursement of accounting, legal and other fees and expenses may not exceed $200,000 per year. We allocated to Holding $2,095,000 during fiscal 2004 and have not made any allocations to Holding in fiscal 2005 pursuant to the management agreement. This agreement will terminate upon consummation of the financial restructuring.

We entered into a tax allocation agreement with Holding as of March 8, 1993 to allocate between us and Holding the benefits and responsibilities of filing consolidated or combined federal, state and local income tax returns. This agreement will terminate upon consummation of the financial restructuring.

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PRINCIPAL STOCKHOLDERS

The following table contains information regarding the beneficial ownership of our common stock as of the date of this prospectus, as adjusted to include the shares of common stock to be issued in exchange for the Holding common stock and Holding warrants and for part of the Holding notes, the Holding series A preferred stock and the Holding series B preferred stock pursuant to the financial restructuring (assuming an initial public offering price of $12.00 per share, the mid-point of the range shown on the cover of this prospectus, and net proceeds of this offering of $223,800,000 (before taking into account estimated offering expenses payable by us, as set forth under Use of Proceeds), and as adjusted to reflect the sale of our common stock in this offering, by:

- each person or group of affiliated persons known by us to beneficially own more than 5% of the outstanding shares of our common stock;
- each of our directors;
- our chief executive officer and each of our four next most highly compensated executive officers in fiscal 2004; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and, therefore, does not include shares held by each person s stock bonus plan account unless held in a directed account. Unless otherwise indicated below, the persons in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Unless otherwise noted, the address of each person listed below is c/o Earle M. Jorgensen Company, 10650 Alameda Street, Lynwood, California 90262.

	Beneficial Ownership		
		Percentage of Shares of Common Stock Outstanding	
Name and Address of Beneficial Owner	Number of Shares of Common Stock	Prior to the Offering	After the Offering
Kelso Investment Associates, IV, L.P.(1)	16,440,377(2)	71.0%	38.1%
KIA III Earle M. Jorgensen, L.P.(1)	1,704,740	7.4	4.0
Joseph S. Schuchert(1)	18,688,851(2)(3)	80.7	43.3
Frank T. Nickell(1)	18,709,350(2)(3)	80.8	43.4
Michael B. Goldberg(1)	16,440,377(2)(3)	71.0	38.1
George E. Matelich(1)	18,693,851(2)(3)	80.8	43.3
Thomas R. Wall, IV(1)	18,693,851(2)(3)	80.8	43.3
Frank K. Bynum(1)	16,440,377(2)(3)	71.0	38.1
David I. Wahrhaftig(1)	16,440,377(2)(3)	71.0	38.1

Philip E. Berney(1)	16,440,377(2)(3)	71.0	38.1
Maurice S. Nelson, Jr.	1,693,538(4)	6.8	3.8
Frank D. Travetto	179,591(5)	*	*
Kenneth L. Henry	202,197(6)	*	*
R. Neil McCaffery	172,591(7)	*	*
James D. Hoffman	167,591(8)	*	*
David M. Roderick(9)	210,410(10)	*	*
John Rutledge(11)	75,564(12)	*	*
William A. Marquard(13)	80,564(14)	*	*
Earl L. Mason			
Joseph T. O Donnell, Jr.(15)			
Earle M. Jorgensen Company Stock Bonus Plan	3,910,473(16)	16.9	9.1
All directors and executive officers of EMJ as a group (13 persons)	2,926,034(17)	11.3	6.4

* Less than 1%

(1) The business address for such person is c/o Kelso & Company, 320 Park Avenue, 24th Floor, New York, New York 10022.

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(2) Includes 11,616 shares of common stock owned by KEP II.
(3) Messrs. Schuchert, Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum and Berney may be deemed to share beneficial ownership of shares of common stock owned of record by (1) KIA IV, and KEP II by virtue of their status as general partners of KP IV, the general partner of KIA IV, and KEP II, (2) except for Messrs. Goldberg, Wahrhaftig, Bynum and Berney, KIA III-EMJ by virtue of their status as general partners of KP III, the general partner of KIA III-EMJ and (3) except for Messrs. Goldberg, Wahrhaftig, Bynum and Berney, KIA I (543,733 shares) by virtue of their status as general partners of KP I, the general partner of KIA I. Messrs. Schuchert, Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum and Berney share investment and voting power with respect to securities owned by the Kelso funds of which they are general partners. Messrs. Schuchert, Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum and Berney disclaim beneficial ownership of the shares of common stock owned by the Kelso funds.
(4) Represents shares of common stock issuable upon exercise of stock options that are exercisable as of the date of this prospectus.
(5) Includes 167,591 shares of common stock issuable upon exercise of stock options that are exercisable as of the date of this prospectus.
(6) Includes 167,591 shares of common stock issuable upon exercise of stock options that are exercisable as of the date of this prospectus.
(7) Includes 167,591 shares of common stock issuable upon exercise of stock options that are exercisable as of the date of this prospectus.
(8) Represents shares of common stock issuable upon exercise of stock options that are exercisable as of the date of this prospectus.
(9) The business address for Mr. Roderick is US Steel Tower, Room 610, 600 Grant Street, Pittsburgh, Pennsylvania 15219.
(10) Includes 176,410 shares of common stock issuable upon exercise of stock options that are exercisable as of the date of this prospectus.
(11) The business address for Dr. Rutledge is 29 Horseshoe Road, Cos Cob, Connecticut 06807.
(12) Includes 70,564 shares of common stock issuable upon exercise of stock options that are exercisable as of the date of this prospectus.
(13) The business address of Mr. Marquard is 2199 Maysville Road, Carlyle, Kentucky 40311.
(14) Includes 70,564 shares of common stock issuable upon exercise of stock options that are exercisable as of the date of this prospectus.
(15) The business address for Mr. O Donnell is Briscoe Capital Management LLC, 295 Madison Avenue, New York, New York 10017.
(16) Excludes 29,506 shares of common stock held by our stock bonus plan in directed accounts that are deemed to be beneficially owned by certain of our directors, executive officers or employees.
(17) Excludes (1) 18,688,851 shares of common stock held by the Kelso funds that may be deemed to be beneficially owned by Messrs. Nickell and Wahrhaftig, as discussed in note 3 above, and (2) 139,003 shares held by our stock bonus plan. Includes (1) 2,804,928 shares of common stock issuable upon exercise of stock options that are exercisable as of the date of this prospectus and (2) 29,506 shares held by by our stock bonus plan in directed accounts that may be deemed to be beneficially owned by certain of our directors or executive officers.

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DESCRIPTION OF CAPITAL STOCK

General

The following summary describes the material terms of our capital stock and is subject to, and qualified by, applicable law and the provisions of our certificate of incorporation and bylaws. We have incorporated these organizational documents by reference as exhibits to the registration statement of which this prospectus is a part.

Upon consummation of the offering, our certificate of incorporation will authorize us to issue 90,000,000 shares of capital stock, of which 80,000,000 shares are designated common stock and 10,000,000 shares are designated preferred stock. We currently have 128 shares of common stock outstanding, all of which are held by Holding, and no shares of preferred stock outstanding. Upon consummation of the financial restructuring and this offering, we will have 43,146,764 shares of common stock and no shares of preferred stock outstanding. Upon consummation of the financial restructuring and this offering, we will assume the obligations of Holding to issue up to 3,053,668 shares of its common stock under issued and outstanding stock options and will reserve 3,053,668 shares of our common stock for issuance upon the exercise of such options. Upon consummation of the financial restructuring and this public offering, we will assume the obligations of Holding to make a special contribution of up to 2,461,547 additional shares of Holding common stock or common stock equivalents in the aggregate to (1) the stock bonus plan and (2) a supplemental stock bonus plan, and we have reserved 2,461,547 shares of our common stock for issuance in connection with the special contribution.

In addition, we have reserved for issuance under our new stock incentive plan 2,157,338 shares of our common stock, which is equal to 5% of the total number of shares of our common stock issued and outstanding immediately after the consummation of the financial restructuring and this offering. On the date of this prospectus, we will grant to certain of our non-officer directors options exercisable for an aggregate of 50,000 shares of our common stock at an exercise price equal to the public offering price pursuant to the stock incentive plan. To date, no other awards have been granted under our stock incentive plan.

Common Stock

Voting Rights

Holders of our common stock are entitled to one vote per share. Subject to any voting rights granted to holders of any preferred stock, the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote on the subject matter, other than the election of directors, will generally be required to approve matters voted on by our stockholders. Directors will be elected by plurality of the votes of the shares present in person or represented by a proxy at the meeting entitled to vote on the election of directors.

Dividends

Subject to the rights of holders of any outstanding preferred stock, the holders of outstanding shares of our common stock will share ratably on a per share basis in any dividends declared from time to time by our board.

Other Rights

Subject to the rights of holders of any outstanding preferred stock, upon our liquidation, dissolution or winding up, we will distribute any assets legally available for distribution to our stockholders, ratably among the holders of our common stock outstanding at that time. All shares of our common stock offered by us in the financial restructuring and this offering, when duly issued and paid for, will be, fully paid, nonassessable and not subject to redemption.

Preferred Stock

Our board of directors, without stockholder approval, may issue preferred stock in one or more series from time to time and fix or alter the designations, relative rights, priorities, preferences, qualifications, limitations and restrictions of the shares of each series, to the extent that those are not fixed in our certificate of incorporation.

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The rights, preferences, limitations and restrictions of different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions and other matters. Our board may authorize the issuance of preferred stock that ranks senior to our common stock with respect to the payment of dividends and the distribution of assets on liquidation. In addition, our board can fix the limitations and restrictions, if any, upon the payment of dividends on common stock to be effective while any shares of preferred stock are outstanding.

Anti-Takeover Effects of Certificate of Incorporation, Bylaw, Indenture and Domestic Credit Facility Provisions

Although we have elected not to be governed by Section 203 of the Delaware General Corporation Law, our certificate of incorporation, bylaws, indenture and domestic credit facility contain provisions, summarized below, that may delay, defer or inhibit a future acquisition of us that stockholders might consider in their best interest, including takeover attempts that might result in a premium over the market price for the shares held by stockholders.

Issuance of Preferred Stock

The issuance of preferred stock pursuant to the board s authority described above may adversely affect the rights of the holders of our common stock. For example, preferred stock issued by us may rank prior to our common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of our common stock. Accordingly, the ability of our board of directors to issue undesignated preferred stock may discourage bids for our common stock or may otherwise adversely affect the market price of our common stock. We have no present intention to issue shares of preferred stock.

Advance Notice Requirements

Our bylaws impose advance notice requirements for stockholder proposals and nominations of directors to be considered at meetings of stockholders.

Bylaw Amendments

Our certificate of incorporation permits our board of directors to amend, alter or repeal our bylaws, except to the extent otherwise provided therein, without the assent or vote of stockholders.

Indenture for Our Notes and Domestic Credit Facility

If, in the future, we experience a change of control as defined under the indenture for our 3/4% senior secured notes, we are required to make an offer, a change of control offer, to purchase all of our 3/4% senior secured notes issued and then outstanding at a purchase price equal to

101% of the principal amount thereof plus accrued interest thereon, as of the date of purchase. Any change of control under the indenture also would constitute a default under our domestic credit facility pursuant to which the lenders under the credit facility could accelerate and require immediate payment of all of the then outstanding obligations under the credit facility. These provisions may delay, defer or inhibit a future acquisition of us.

Limitation of Liability and Indemnification Matters

Our certificate of incorporation contains provisions that eliminate the personal liability of our directors to us or our stockholders for monetary damages for breach of their fiduciary duty as a director to the fullest extent permitted by the Delaware General Corporation Law, except for liability:

for any breach of their duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

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for unlawful payments of dividends or unlawful stock repurchases or redemptions; and

for any transaction from which the director derived an improper personal benefit.

These provisions do not affect a director s responsibilities under any other laws, including the federal securities laws or state or federal environmental laws.

Our bylaws also contain provisions that require us to indemnify our directors, and permit us to indemnify our officers and employees, to the fullest extent permitted by Delaware law. However, we are not obligated to indemnify any such person:

with respect to proceedings, claims or actions initiated or brought voluntarily by any such person and not by way of defense; or

for any amounts paid in settlement, without our prior written consent, of an action in respect of which we would otherwise indemnify such person.

We have entered into indemnification agreements with each of our directors and executive officers providing for the indemnification described above. We believe that these limitations on liability are essential to attracting and retaining qualified persons as directors and executive officers. We have directors and officers liability insurance and will obtain amended coverage in connection with the offering.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

Listing

Our common stock has been approved for listing on The New York Stock Exchange under the symbol JOR.

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SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering and the financial restructuring, there will be 43,146,764 shares of our common stock outstanding, all of which will be freely tradable without restriction or further registration under the federal securities laws unless held by our affiliates within the meaning of Rule 144 under the Securities Act or subject to the lock-up agreements, transfer restriction agreements or limitations on the ability of participants to transfer shares of common stock held in our stock bonus plan described below. Shares held by our affiliates will be restricted securities and will be subject to the volume and manner of sale restrictions of Rule 144.

Lock-up Agreements

Certain stockholders have entered into lock-up agreements in connection with this offering. Holding s stock bonus plan, each of our directors, each of our executive officers, the Kelso funds and each of their affiliates that will own our common stock following this offering, and certain other stockholders have agreed for a period of 180 days from the date of this prospectus, subject to limited exceptions, not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities substantially similar to our common stock, including, but not limited to, options or warrants to acquire shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock owned by them, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston LLC and Goldman, Sachs & Co. However, in the event that either (1) during the last 17 days of the lock-up period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period, then in either case the expiration of the lock-up will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse First Boston LLC and Goldman, Sachs & Co. waive, in writing, such an extension. Each of Credit Suisse First Boston LLC and Goldman, Sachs & Co. has advised us that it has no present intention to, and has not been advised of any circumstances that would lead it to, grant an early release of this restriction. Credit Suisse First Boston LLC and Goldman, Sachs & Co. may, however, at any time without notice, release all or any portion of the shares subject to these lock-up agreements. Any early waiver of the lock-up agreements which, if granted, could permit sales of a substantial number of shares and could adversely affect the trading price of our shares, may not be accompanied by an advance public announcement by us.

Transfer Restriction Agreements

Our executive officers and district managers have entered into transfer restriction agreements limiting their right to sell shares of our common stock beneficially owned by them, directly or indirectly through the stock bonus plan, as of and after giving effect to the consummation of the financial restructuring. Pursuant to the transfer restriction agreements, our executive officers and district managers may not sell shares of our common stock owned by them except as follows: up to (1) 25% of such shares at any time after the six month anniversary of the closing of this offering until the 12 month anniversary of the closing of this offering, (2) 50% of such shares at any time after the 12 month anniversary of the closing of this offering until the 18 month anniversary of the public offering, (3) 75% of such shares at any time after the 18 month anniversary of the closing of this offering until the 24 month anniversary of the closing of this offering, and (4) 100% of such shares after the 24 month anniversary of the closing of this offering. Shares of stock contributed to the stock bonus plan in connection with the special contribution, when contributed, will be treated as shares owned by an executive officer and district manager as of the consummation of the final restructuring.

Mr. Nelson has agreed that he will not sell any shares of our common stock beneficially owned by him, directly or indirectly through the stock bonus plan, as of and after giving effect to the consummation of the financial restructuring, until after the 24 month anniversary of the

consummation of this offering.

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Stock Bonus Plan Restrictions

The shares of our common stock held by the stock bonus plan may be sold (1) by the trustee of the stock bonus plan upon direction from an eligible participant who has attained age 55 and completed ten years of service in accordance with the diversification provisions of the stock bonus plan, (2) by the participant following distribution to such participant upon termination of employment, and (3) by the trustee of the stock bonus plan upon direction from the benefits committee, if the benefits committee determines that the sale of our common stock is required for the benefits committee to fulfill its fiduciary duties. We have amended our stock bonus plan to provide that, effective upon the consummation of this offering, shares of our common stock will become eligible for diversification in increments of 25% of the balance of shares of our common stock in each participant s account each six months after the consummation of this offering commencing six months after consummation of this offering, with all shares of our common stock in a participant s account being eligible for diversification 24 months after consummation of this offering. See Management Stock Bonus Plan for a description of these restrictions.

Rule 144

In general, under Rule 144, beginning 90 days after the date of this prospectus, persons who may be deemed our affiliate would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately 431,468 shares after the financial restructuring and this offering; or
- the average weekly trading volume of our common stock on The New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. We are unable to estimate accurately the number of restricted shares that will be sold under Rule 144 because this will depend in part on the market price of our common stock, the personal circumstances of our stockholders and other factors.

Registration Statement on Form S-8

As soon as practicable after the completion of this offering, we intend to file under the Securities Act a registration statement on Form S-8 to register all shares of our common stock reserved for issuance under our stock incentive plan, under options we assume under the Holding stock option plan and pursuant to our special contribution to the stock bonus plan in connection with the amended consent order for the plan. We expect this registration statement to become effective upon filing with the SEC. Shares covered by this registration statement will be freely tradable, subject to applicable vesting requirements, exercise with respect to options, limitations on the ability of participants to transfer shares of common stock held in our stock bonus plan, the provisions of Rules 144 with respect to affiliates and, if applicable, expiration of the 180-day lock-up agreements and the transfer restriction agreements.

Registration Rights

Prior to the consummation of this offering, we will enter into an agreement with the Kelso funds, other Kelso affiliates and Mr. Nelson pursuant to which we will provide the Kelso funds, other Kelso affiliates and Mr. Nelson with certain demand and piggyback registration rights with respect to their shares of our common stock, including the 18,719,350 shares (16,384,292 shares if the underwriters over-allotment option is exercised in full) of our common stock held by them immediately following the consummation of the financial restructuring and this offering. These demand and piggyback registration rights will be exercisable upon the expiration of the lock-up agreements entered into by the Kelso funds, other Kelso affiliates and Mr. Nelson in connection with this offering. Pursuant to the demand registration rights, the Kelso funds and other Kelso affiliates may require us to prepare and file a registration statement under the Securities Act of 1933, at our expense, covering all or a portion of their shares.

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U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of the anticipated material United States federal income and estate tax consequences to a Non-U.S. Holder (as defined below) of the acquisition, ownership and disposition of our common stock under current United States federal income and estate tax law. This discussion does not address specific tax consequences that may be relevant to particular persons in light of their individual circumstances (including, for example, pass-through entities (e.g., partnerships) or persons who hold our common stock through pass-through entities, banks or financial institutions, broker-dealers, insurance companies, tax-exempt entities, common trust funds, pension plans, controlled foreign corporations, passive foreign investment companies, foreign personal holding companies, owners of more than 5.0% of our common stock, certain U.S. expatriates, dealers in securities or currencies and persons in special situations, such as those who hold our common stock as part of a straddle, hedge, conversion transaction, or other integrated investment), all of whom may be subject to tax rules that differ significantly from those summarized below. Unless otherwise stated, this discussion is limited to the tax consequences to those Non-U.S. Holders who are the original owners of our common stock and who hold such common stock as capital assets. In addition, this discussion does not describe any tax consequences arising under the tax laws of any state, local or non-United States jurisdiction. This discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), the Treasury Department regulations promulgated thereunder (the Treasury Regulations) and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change, possibly with retroactive effect.

Prospective purchasers of our common stock are urged to consult their tax advisors concerning the United Sates federal tax consequences of acquiring, owning and disposing of our common stock, as well as the application of state, local and non-United States income and other tax laws.

As used herein, a U.S. Holder means a holder of our common stock that is for United States federal income tax purposes (1) an individual citizen or resident of the United States, (2) a corporation (including an entity treated as a corporation for United States federal income tax purposes) or partnership created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia, (3) an estate the income of which is subject to United States federal income taxation regardless of its source, or (4) a trust if it (a) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (b) was in existence on August 20, 1996, was properly treated as a domestic trust under the Code on August 19, 1996 and has a valid election in effect under applicable United States Treasury Regulations to continue to be treated as a United States person. A Non-U.S. Holder is a holder of our common stock that is not a U.S. Holder. If a partnership holds our common stock, the tax treatment of each partner will generally depend upon the status of the partner and the activities of the partnership. Persons who are partners of partnerships holding our common stock should consult their tax advisors.

Dividends

Dividends paid to a Non-U.S. Holder will generally be subject to withholding of United States federal income tax at a 30.0% rate or such lower rate as may be specified by an applicable income tax treaty. Dividends that are effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder and, where an income tax treaty applies, are attributable to a United States permanent establishment of the Non-U.S. Holder, are not, however, subject to the withholding tax, but are instead subject to United States federal income tax on a net income basis at applicable graduated individual or corporate rates. Certain certification and disclosure requirements must be satisfied for effectively connected income to be exempt from withholding. Any such effectively connected dividends received by a foreign corporation may be subject to an additional branch profits tax at a 30.0% rate or such lower rate as may be specified by an applicable income tax treaty. A Non-U.S. Holder of common stock who wishes to claim the benefit of an applicable income tax treaty rate (and avoid backup withholding, as discussed below) for dividends, will be required to (a) complete Internal Revenue Service (IRS) Form W-8BEN (or other applicable form) and certify under penalties of perjury that such

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holder is not a United States person or (b) if the common stock is held through certain foreign intermediaries, satisfy the relevant certification requirements of applicable Treasury Regulations. Special certification and other additional requirements may apply to certain Non-U.S. Holders that are entities.

A Non-U.S. Holder of common stock eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Gain on Disposition of Common Stock

A Non-U.S. Holder generally will not be subject to United States federal income tax with respect to gain recognized on a sale or other disposition of common stock unless (i) the gain is effectively connected with a trade or business in the United States of the Non-U.S. Holder, and, where an income tax treaty applies, is attributable to a United States permanent establishment of the Non-U.S. Holder, (ii) in the case of a Non-U.S. Holder who is an individual and holds the common stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions are met, or (iii) we either are or have been a United States real property holding corporation (a USRPHC) for United States federal income tax purposes at any time during the shorter of the five-year period preceding such sale or other disposition or the period that such Non-U.S. Holder held our common shares (the Applicable Period).

An individual Non-U.S. Holder described in clause (i) above will be subject to tax on the net gain derived from the sale under regular graduated United States federal income tax rates. If a Non-U.S. Holder that is a foreign corporation is described in clause (i) above, it will be subject to tax on its gain under regular graduated United States federal income tax rates and, in addition, may be subject to the branch profits tax equal to 30.0% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty. An individual Non-U.S. Holder described in clause (ii) above will be subject to a flat 30.0% tax on the gain derived from the sale, which may be offset by United States source capital losses (even though the individual is not considered a resident of the United States).

We do not believe that we have been, are currently or are likely to become a USRPHC for United States federal income tax purposes. If we were to become a USRPHC, so long as our common stock is regularly traded on an established securities market, a Non-U.S. Holder would be subject to federal income tax on any gain from the sale, exchange or other disposition of shares of common stock only if it actually or constructively owned, during the Applicable Period, more than 5.0% of the class of stock that includes such shares.

Federal Estate Tax

Common stock held by an individual Non-U.S. Holder at the time of death will generally be included in such holder s gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

We generally must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. A Non-U.S. Holder will be subject to backup withholding on dividends paid to such holder unless applicable certification requirements are met.

If common stock is sold by a Non-U.S. Holder outside the United States through a non-United States related financial institution or broker, backup withholding and information reporting generally does not apply.

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Information reporting and, depending on the circumstances, backup withholding, generally would apply to the proceeds of a sale of common stock within the United States or conducted through a United States related financial institution or broker unless the beneficial owner certifies under penalties of perjury that it is a Non-U.S. Holder (and the payer does not have actual knowledge or reason to know that the beneficial owner is a United States person) or the owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder s United States federal income tax liability provided the required information is furnished to the IRS.

Non-U.S. Holders are urged to consult their tax advisors regarding the application of information reporting and backup withholding in their particular situation.

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2005, we have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston LLC and Goldman, Sachs & Co. are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse First Boston LLC	
Goldman, Sachs & Co.	
Citigroup Global Markets Inc.	
ABN AMRO Rothschild LLC	
William Blair & Company, L.L.C.	
CIBC World Markets Corp.	
Total	20,000,000

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 3,000,000 shares from us at the initial public offering price less the underwriting discount to cover these sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The underwriters propose to offer the shares of common stock at the initial public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of $ per share. The underwriters and selling group members may allow a discount of $ per share on sales to other broker/dealers. After the initial public offering the representatives may change the public offering price and concession and discount to broker/dealers.

The following table summarizes the compensation and estimated expenses we will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment

Underwriting discounts and commissions paid by us	$	$	$	$
Expenses payable by us	$ 0.10	$ 0.09	$ 2,009,000	$ 2,009,000

Subject to certain exceptions, we have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to, any additional shares of our common stock or any securities that are substantially similar to our common stock, including, but not limited to, options or warrants to acquire shares of our common stock or any securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in

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cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing or to enter into any transaction, swap, hedge or other arrangement, without in each case the prior written consent of Credit Suisse First Boston LLC and Goldman, Sachs & Co. for a period of 180 days after the date of this prospectus. Subject to certain exceptions, each of our directors, each of our executive officers, the Kelso funds and each of their affiliates that will own our common stock following this offering, our stock bonus plan and certain other stockholders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or any securities that are substantially similar to our common stock, including, but not limited to, options or warrants to acquire shares of our common stock, any securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston LLC and Goldman, Sachs & Co. for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the lock-up period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period, then in either case the expiration of the lock-up will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse First Boston LLC and Goldman, Sachs & Co. waive, in writing, such an extension.

We have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

Our common stock has been approved for listing on The New York Stock Exchange under the symbol JOR. In order to meet the requirements for listing our common stock on the New York Stock Exchange, the underwriters have undertaken to sell a sufficient number of lots of 100 or more shares so that there are a minimum of 2,000 beneficial holders of such lots.

Certain of the underwriters and their respective affiliates have performed and expect to continue to perform financial advisory and investment banking services for us for which they have received and will receive compensation. Credit Suisse First Boston LLC acted as one of the initial purchasers of our 9 3/4% senior secured notes in May 2002.

In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934:

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.

Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as

compared to the price at which they may purchase

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shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Each underwriter has represented, warranted and agreed that: (1) it has not offered or sold and, prior to the expiry of a period of six months from the closing date of this offering, will not offer or sell any shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 or FSMA) received by it in connection with the issue or sale of any shares in circumstances in which Section 21(1) of the FSMA does not apply to the issuer and (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

The shares may not be offered or sold, transferred or delivered, as part of their initial distribution or at any time thereafter, directly or indirectly, to any individual or legal entity in the Netherlands other than to individuals or legal entities who or which trade or invest in securities in the conduct of their profession or trade, which includes banks, securities intermediaries, insurance companies, pension funds, other institutional investors and commercial enterprises which, as an ancillary activity, regularly trade or invest in securities.

The shares may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the shares may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than under circumstances in which such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the shares to the public in Singapore.

The shares have not been and will not be registered under the Securities and Exchange Law of Japan and each underwriter has agreed that it will not offer or sell any shares, directly or indirectly, in Japan or to, or for the

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benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws, regulations and ministerial guidelines of Japan.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

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NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the shares of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of the shares of the common stock are made. Any resale of the shares of the common stock in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the shares of the common stock.

Representations of Purchasers

By purchasing the shares of the common stock in Canada and accepting a purchase confirmation a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the shares of the common stock without the benefit of a prospectus qualified under those securities laws,
- where required by law, that the purchaser is purchasing as principal and not as agent, and
- the purchaser has reviewed the text above under Resale Restrictions.

Rights of Action Ontario Purchasers Only

Under Ontario securities legislation, a purchaser who purchases a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the shares of the common stock, for rescission against us in the event that this circular contains a misrepresentation. A purchaser will be deemed to have relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the shares of the common stock. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the shares of the common stock. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the shares of the common stock were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the shares of the common stock as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the shares of the common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the shares of the common stock in their particular circumstances and about the eligibility of the shares of the common stock for investment by the purchaser under relevant Canadian legislation.

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LEGAL MATTERS

Katten Muchin Zavis Rosenman will pass upon the validity of the shares of common stock offered by this prospectus for us. Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, will pass upon certain legal matters relating to this offering for the underwriters.

EXPERTS

Our consolidated financial statements and the consolidated financial statements of Holding appearing in this prospectus and the related registration statement at March 31, 2003 and 2004 and for each of the three years in the period ended March 31, 2004 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in its reports thereon appearing elsewhere in this prospectus and the related registration statement, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus is part of a registration statement on Form S-1 we filed with the SEC. This prospectus does not contain all of the information contained in the registration statement and all of its exhibits and schedules. For further information about us, please see the complete registration statement. Summaries of agreements or other documents in this prospectus are not necessarily complete. Please refer to the exhibits to the registration statement for complete copies of these documents. We have filed an amended registration statement on Form S-4 with the SEC in connection with the financial restructuring that is to be consummated in connection with this offering.

You may read and copy this registration statement and all of its exhibits and schedules, our registration statement on Form S-4, as amended, filed in connection with the financial restructuring, as well as reports we have filed with the SEC, at the SEC public reference room at 450 Fifth Street, N.W., Washington, DC 20549. You may obtain information on the operation of the SEC public reference room in Washington, DC by calling the SEC at 1-800-SEC-0330. This registration statement, our registration statement on Form S-4, and reports we have filed with the SEC, are also available from the SEC s web site at http://www.sec.gov, which contains reports, proxy and information statements and other information regarding issuers that file electronically.

In addition, we make available, free of charge, on or through our web site (http://www.emjmetals.com) our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholder

Earle M. Jorgensen Company

We have audited the accompanying consolidated balance sheets of Earle M. Jorgensen Company as of March 31, 2003 and 2004, and the related consolidated statements of income, stockholder s equity, and cash flows for each of the three years in the period ended March 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Earle M. Jorgensen Company at March 31, 2003 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2004, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Orange County, California

May 13, 2004

except for Note 9, as to which the date is

June 15, 2004

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EARLE M. JORGENSEN COMPANY

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	March 31, 2003	March 31, 2004	December 31, 2004
			(unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 20,030	$ 15,528	$ 5,760
Accounts receivable, less allowance for doubtful accounts	97,292	133,092	173,871
Inventories	213,590	225,248	281,307
Other current assets	6,402	7,655	8,976
Total current assets	337,314	381,523	469,914
Property, plant and equipment, at cost	113,037	112,190	117,896
Cash surrender value of life insurance policies	31,007	34,689	31,820
Debt issue costs, net of accumulated amortization	8,232	6,909	5,920
Other assets	1,151	1,169	2,501
Total assets	$ 490,741	$ 536,480	$ 628,051
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 119,815	$ 162,648	$ 158,060
Accrued employee compensation and related taxes	12,430	19,207	17,007
Accrued employee benefits	14,150	12,744	13,044
Accrued interest	16,186	17,352	6,627
Accrued stock bonus plan special contribution			12,601
Other accrued liabilities	2,748	8,616	16,591
Deferred income taxes	19,450	17,517	17,517
Current portion of long-term debt	2,330	3,976	2,320
Total current liabilities	187,109	242,060	243,767
Long-term debt	328,207	305,762	344,428
Deferred income taxes	15,936	17,869	17,869
Other long-term liabilities	7,505	8,148	13,382
Commitments and contingencies			
Stockholders equity (deficit):			
Preferred stock, $.01 par value; 200 shares authorized and unissued			
Common stock, $.01 par value; 2,800 shares authorized and 128 shares issued and outstanding at March 31, 2003 and 2004 and December 31, 2004 (unaudited)			
Capital in excess of par value	35,284	29,503	21,194
Accumulated other comprehensive loss			
Foreign currency translation adjustment	(485)	(73)	1,268

Additional minimum pension liability	(3,399)	(2,625)	(2,625)
Accumulated deficit	(79,416)	(64,164)	(11,232)
Total stockholders equity (deficit)	(48,016)	(37,359)	8,605
Total liabilities and stockholders equity	$ 490,741	$ 536,480	$ 628,051

See accompanying notes

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EARLE M. JORGENSEN COMPANY

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands)

	Year Ended March 31,			Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
				(unaudited)	
Revenues	$ 895,058	$ 919,927	$ 1,040,367	$ 718,301	$ 1,152,589
Cost of sales	641,991	658,562	754,266	518,394	828,735
Gross profit	253,067	261,365	286,101	199,907	323,854
Expenses:					
Warehouse and delivery	124,457	127,080	135,421	98,657	116,052
Selling	31,932	32,329	38,254	25,031	34,972
General and administrative	48,324	50,868	42,954	31,282	69,067
Total expenses	204,713	210,277	216,629	154,970	220,091
Income from operations	48,354	51,088	69,472	44,937	103,763
Interest expense, net	42,545	47,206	51,093	38,205	40,534
Income before income taxes	5,809	3,882	18,379	6,732	63,229
Income tax expense	455	1,500	3,127	1,448	10,297
Net income	$ 5,354	$ 2,382	$ 15,252	$ 5,284	$ 52,932
Pro forma net income available to common stockholders per share as adjusted (unaudited)					
Basic			$ 0.64		$ 2.25
Diluted			$ 0.61		$ 2.15
Pro forma number of shares used in net income available to common stockholders per share as adjusted (unaudited)					
Basic			23,732		23,542
Diluted			25,159		24,660

See accompanying notes

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EARLE M. JORGENSEN COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(dollars in thousands, except share data)

	Common Stock		Capital in excess of	Accumulated other comprehensive	Accumulated	
	Shares	Amount	par value	loss	deficit	Total
Balance at March 31, 2001	128	$	$ 85,834	$ (1,833)	$ (87,152)	$ (3,151)
Comprehensive income:						
Net income for period					5,354	5,354
Loss on interest rate swap adjustment				(2,925)		(2,925)
Foreign currency translation adjustment				(133)		(133)
Additional minimum pension liability				32		32
Comprehensive income						2,328
Dividend to parent			(14,963)			(14,963)
Balance at March 31, 2002	128		70,871	(4,859)	(81,798)	(15,786)
Comprehensive income:						
Net income for period					2,382	2,382
Foreign currency translation adjustment				1,200		1,200
Additional minimum pension liability				(3,150)		(3,150)
Comprehensive income						432
Dividend to parent			(35,587)			(35,587)
Reverse loss on interest rate swap adjustment recognized in net income				2,925		2,925
Balance at March 31, 2003	128		35,284	(3,884)	(79,416)	(48,016)
Comprehensive income:						
Net income for period					15,252	15,252
Foreign currency translation adjustment				412		412
Additional minimum pension liability				774		774
Comprehensive income						16,438
Dividend to parent			(5,781)			(5,781)
Balance at March 31, 2004	128		29,503	(2,698)	(64,164)	(37,359)
Comprehensive income (unaudited):						
Net income for period					52,932	52,932
Foreign currency translation adjustment				1,341		1,341
Comprehensive income						54,273
Stock-based compensation (unaudited)			1,557			1,557
Dividend to parent (unaudited)			(9,866)			(9,866)
Balance at December 31, 2004 (unaudited)	128	$	$ 21,194	$ (1,357)	$ (11,232)	$ 8,605

See accompanying notes

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EARLE M. JORGENSEN COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Year Ended March 31,			Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
				(unaudited)	
Operating Activities:					
Net income	$ 5,354	$ 2,382	$ 15,252	$ 5,284	$ 52,932
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Special contribution to stock bonus plan					17,327
Loss on early retirement of debt		12,278			
Depreciation and amortization	11,449	11,369	11,284	8,488	8,780
Amortization and write-off of debt issue costs included in interest expense	1,792	1,416	1,323	992	989
Accrued postretirement benefits	249	498	619	563	611
Gain on sale of property, plant and equipment	(36)	(183)	(1,335)	(1,194)	(1,452)
Stock-based compensation					1,557
Provision for bad debts	2,434	2,649	2,880	2,338	2,153
Increase in cash surrender value of life insurance over premiums paid	(2,174)	(2,242)	(5,276)	929	4,016
Changes in operating assets and liabilities:					
Decrease (increase) in accounts receivable	15,510	(10,662)	(38,680)	(10,568)	(42,932)
Decrease (increase) in inventories	31,712	(26,722)	(11,658)	(13,952)	(56,059)
Decrease (increase) in other current assets	960	134	(1,932)	(904)	(1,321)
(Decrease) increase in accounts payable and accrued liabilities and expenses	(53,491)	40,608	55,238	(20,906)	(9,238)
Decrease (increase) in non-trade receivables	1,681	(1,637)	679	(425)	
Other	(896)	1,086	1,097	2,045	(311)
Net cash provided by (used in) operating activities	14,544	30,974	29,491	(27,310)	(22,948)
Investing activities:					
Additions to property, plant and equipment	(24,531)	(15,335)	(10,530)	(6,781)	(19,606)
Proceeds from the sale of property, plant and equipment	116	2,440	1,540	1,388	6,714
Premiums paid on life insurance policies	(1,461)	(1,335)	(1,298)	(1,198)	(1,271)
Proceeds from redemption of life insurance policies	1,124	195	2,892	2,300	124
Net cash used in investing activities	(24,752)	(14,035)	(7,396)	(4,291)	(14,039)
Financing activities:					
Net borrowings (payments) under revolving loan agreements	25,111	(9,958)	(19,399)	25,000	39,125
Proceeds from issuance of senior debt		250,000			
Repayment of term loan		(96,000)			
Repayment of senior debt		(105,000)			

Payment of debt issue costs		(10,669)			
Other costs paid in connection with early retirement of debt		(9,596)			
Other debt payments, net	(2,400)	(1,400)	(1,400)	(1,400)	(2,115)
Cash dividend to Parent	(14,963)	(35,587)	(5,781)	(4,762)	(9,866)
Net cash provided by (used in) financing activities	7,748	(18,210)	(26,580)	18,838	27,144
Effect of exchange rate changes on cash	2	1	(17)	28	75
Net decrease in cash and cash equivalents	(2,458)	(1,270)	(4,502)	(12,735)	(9,768)
Cash and cash equivalents at beginning of period	23,758	21,300	20,030	20,030	15,528
Cash and cash equivalents at end of period	$ 21,300	$ 20,030	$ 15,528	$ 7,295	$ 5,760

See accompanying notes

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information as of December 31, 2004 and for the nine months ended January 1, 2004 and December 31, 2004 is unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation Earle M. Jorgensen Company (the Company) became a wholly-owned subsidiary of Earle M. Jorgensen Holding Company, Inc. (the Parent or Holding) as the result of a series of business combinations and mergers effective April 1, 1990.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Earle M. Jorgensen (Canada) Inc. (EMJ (Canada)) and Stainless Insurance Ltd., a captive insurance subsidiary (EMJ (Bermuda)). In fiscal years 2002, 2003 and 2004 and the nine months ended January 1, 2004 and December 31, 2004, EMJ (Canada) generated net income (loss) of $(325,000), $1,153,000, $3,282,000, $2,104,000 and $6,496,000 respectively. In fiscal years 2002, 2003 and 2004 and the nine months ended January 1, 2004 and December 31, 2004, EMJ (Bermuda) generated net income (loss) of $(2,056,000), $540,000, $(609,000), $(39,000) and $(27,000), respectively, including investment income and intercompany fees. The losses in fiscal year 2002 and 2004 and the first nine months of fiscal 2005 were attributable to higher loss reserves established in connection with the Company s self-insured workers compensation program. All significant intercompany accounts and transactions have been eliminated.

Company Background and Segment Information The Company distributes a broad line of bar, tubular, plate and various other metal products and provides value-added services through a network of 35 service centers and processing operations strategically located throughout North America. Metal products sold by the Company are purchased from various primary metal producers and suppliers, none of which provided more than 10% of the Company s total purchases in fiscal year 2004. The Company has over 35,000 customers, none of which represented more than 2% of the Company s revenues in fiscal year 2004.

For financial reporting purposes, the Company operates in one reportable segment the metals service center industry as determined in accordance with SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*.

Reclassification Certain amounts reported in prior years have been reclassified to conform to the 2004 presentation.

Use of Estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Actual results could differ significantly from those estimates and judgments under different assumptions and conditions.

Interim Financial Information (Unaudited) The accompanying consolidated financial statements at December 31, 2004 and for the nine months ended January 1, 2004 and December 31, 2004 are unaudited. In the opinion of management, these consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements included herein and include all adjustments, consisting of only normal recurring adjustments, necessary for the fair statement of results of the interim period.

Revenue Recognition The Company recognizes revenue associated with a sales order when product is shipped, title is passed and collectibility is reasonably assured.

Shipping and Handling Costs Costs incurred in connection with shipping and handling the Company s products are classified as warehouse and delivery expenses in the accompanying statements of operations.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounts Receivable and Concentration of Credit Risk The Company sells the majority of its products throughout the United States and Canada. Sales to the Company s recurring customers are generally made on open account terms while sales to occasional customers are made on a C.O.D. basis when collectibility is not assured. The Company performs periodic credit evaluations of its ongoing customers and generally does not require collateral. The Company establishes an allowance for potential credit losses based upon factors surrounding the credit risk for specific customers, historical trends and other information; such losses have been within management s expectations, and were higher in fiscal year 2004 when compared to fiscal years 2003 and 2002. The Company s allowance for doubtful accounts at March 31, 2003 and 2004 and at December 31, 2004 was $390,000, $601,000 and $1,868,000, respectively. Management believes there are no significant concentrations of credit risk as of March 31, 2004 and December 31, 2004.

Property, Plant and Equipment Property, plant and equipment is recorded at cost. Additions, renewals and betterments are capitalized; maintenance and repairs, which do not extend useful lives, are expensed as incurred. Gains or losses from disposals are reflected in income and the related costs and accumulated depreciation are removed from the accounts. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of 10 to 40 years for buildings and improvements and three to 20 years for machinery and equipment. Leasehold improvements are amortized over the terms of the respective leases. Depreciation expense was $9,787,000, $9,703,000 and $7,594,000 in fiscal 2003 and 2004 and the nine months ended December 31, 2004, respectively.

The Company capitalizes certain costs incurred during the development of software used internally and amortizes such costs over their estimated useful lives. During fiscal years 2002, 2003 and 2004 and for the nine months ended December 31, 2004, such costs totaling $414,000, $220,000, $274,000 and $141,000, respectively, were capitalized.

Long-lived assets, primarily land, buildings, leasehold improvements and certain equipment, used in operations or which are expected to be disposed of are reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. Factors used in the evaluation include, but are not limited to, future plans for the operations, recent operating results and forecasted cash flows. When indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying value of the assets, the assets are written down and an impairment loss is recognized. There were no impairment losses recorded in fiscal years 2002, 2003 and 2004 and the nine months ended January 1 and December 31, 2004.

Debt Issue Costs Debt issue costs are deferred and amortized to interest expense over the life of the underlying indebtedness. For the fiscal years ended March 31, 2002, 2003 and 2004, amortization of debt issue costs were $1,792,000, $1,416,000 and $1,323,000, respectively. Accumulated amortization of debt issue costs was $1,263,000 and $2,586,000 at March 31, 2003 and 2004, respectively.

Stock-Based Compensation During December 2004, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation* using the modified-prospective transition method, for all employee awards granted, modified or settled after April 1, 2004, as permitted by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure-An Amendment of FASB Statement No. 123*. In accordance with SFAS No. 123, the Company estimated the fair value of options using an option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, and the expected life of the options. The Company s common stock is not currently traded on a national securities exchange or an over-the-counter market, and therefore an effectively zero percent volatility was used. The dividend yield is excluded from the calculation, as it

is the Company s intention to retain all future earnings. All stock options had fully vested prior to the adoption of SFAS No. 123.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Until the adoption of SFAS No. 123 in December 2004, stock options granted to directors, officers and other key employees of the Company under Holding s stock option plan adopted in January 1997 were accounted for in accordance with APB No. 25. As all stock option grants are made at fair value on the date of grant, the Company recognized no compensation cost for fiscal years ended March 31, 2001, 2002 and 2003. Had compensation expense for stock options granted been recorded based on the fair value method under SFAS No. 123, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*, the effect on the Company s net income for fiscal years 2002, 2003 and 2004 and the nine months ended January 1, 2004 and December 31, 2004 would have been as follows:

	Year Ended March 31,			Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
				(unaudited)	
Net income, as reported	$ 5,354,000	$ 2,382,000	$ 15,252,000	$ 5,284,000	$ 52,932,000
Deduct: total stock-based compensation expense determined using fair value method for all awards, net of tax	(209,000)	(138,000)	(74,000)	(62,000)	
Net income, as adjusted	$ 5,145,000	$ 2,244,000	$ 15,178,000	$ 5,222,000	$ 52,932,000
Pro forma net income (loss) available to common stockholders less total stock-based compensation expense described above	$ (33,472,000)	$ (42,527,000)	$ (34,264,000)	$ (28,097,000)	$ 25,672,000
Pro forma net income (loss) available to common stockholders per share:					
Basic	$ (2.71)	$ (3.60)	$ (2.97)	$ (2.42)	$ 2.26
Diluted	$ (2.71)	$ (3.60)	$ (2.97)	$ (2.42)	$ 1.67

The total pro forma adjustments to net income (loss) are approximately $(29,161,000), $(32,068,000), $(38,617,000), $(44,771,000), $(49,442,000), $(33,319,000) and $(27,260,000) for the fiscal years 2000, 2001, 2002, 2003 and 2004 and the nine months ended January 1, 2004 and December 31, 2004, respectively. The adjustments consist of net interest expense for Holding, dividends accrued for the Holding series A preferred stock, dividends declared and paid in-kind for the Holding series B preferred stock and certain management fees charged to EMJ by Holding that are not eliminated in consolidation. (See *Pro Forma Per Share Information* below).

Subsequent to the adoption of SFAS No. 123, the Company modified, as defined in SFAS No. 123, the terms of its outstanding stock options by adjusting the number of shares that can be purchased pursuant to each option and the exercise price per share to offset the reduction in the appraised value of the Holding common stock resulting from the change in valuation methodology required by the amended consent order for Holding s stock bonus plan (see Note 10). As a result of this change, options to purchase 1,731,000 shares of common stock at a weighted average exercise price of $5.92 per share were converted into options to purchase 3,053,668 shares of Holding s common stock at a weighted average exercise price of $3.35 per share. In accordance with SFAS No. 123, which provides that modifications made to the outstanding options require a stock compensation charge for the difference between the intrinsic value of the outstanding stock options before the modifications and the fair value of the stock options after the modifications to the outstanding stock options, the Company recorded a stock compensation charge

of $1,557,000 during the three months ended December 31, 2004. In connection with the financial restructuring (see Note 10), all of the issued and outstanding options to purchase shares of Holding common stock will be converted into options to purchase an equal number of shares of the Company s common stock at the same exercise price.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Income Taxes The Company is included in the consolidated tax returns of Parent and calculates its tax provision as though it files on a separate basis. The consolidated tax liability of the Company and Parent is allocated to each of these entities pursuant to a Tax Allocation Agreement between the Company and Parent (Tax Allocation Agreement). Under the Tax Allocation Agreement, Parent pays all taxes and is reimbursed by the Company for the lesser of (i) the Company s allocated portion of the taxes due, or (ii) the tax that would be payable if the Company filed its own returns.

The Company records deferred taxes based upon differences between the financial statement and tax basis of assets and liabilities pursuant to SFAS No. 109, *Accounting for Income Taxes*, as though it files on a separate basis. Any differences in deferred taxes determined on a separate basis and the actual payments made or received under the Tax Allocation Agreement are accounted for as an equity adjustment between the Company and Parent. There were no such differences in fiscal year 2004. Deferred taxes are also recorded for the future benefit of Federal and state tax losses and tax credit carryforwards. Consistent with SFAS No. 109, a valuation allowance has been recognized for certain deferred tax assets, which management believes are not likely to be realized (see Note 6).

Foreign Currency Translation The financial statements of foreign subsidiaries are translated into U.S. dollars in accordance with SFAS No. 52, *Foreign Currency Translation*. Balance sheet accounts are translated using the period-end exchange rates while income statement amounts are translated using the average exchange rates for each period. Adjustments resulting from translation of foreign currency financial statements are included in accumulated other comprehensive loss in stockholder s equity. No significant exchange gains or losses were recorded during fiscal 2002, 2003 and 2004.

Cash and Statements of Cash Flows Cash includes disbursements and deposits not yet funded by or applied to the Company s revolving credit facility as of a balance sheet date and cash and cash equivalents totaling $2,940,000 and $2,004,000 as of March 31, 2003 and 2004, respectively, held by EMJ (Bermuda) in connection with providing insurance to the Company. The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

For the years ended March 31, 2002, 2003 and 2004 cash paid for interest on borrowings was $39,942,000, $37,674,000 and $48,623,000, and net cash paid (refunded) for income taxes was $403,000, $(551,000) and $671,000, respectively.

Comprehensive Income Components of the Company s comprehensive income include foreign currency translation adjustments, additional minimum pension liability and accounting for certain derivatives.

Pro Forma Per Share Information EMJ currently has 128 shares of common stock outstanding, all of which are held by Holding. For accounting purposes, our financial restructuring (see Note 10) will be accounted for as a transfer of assets and exchange of shares between entities under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, the financial position and results of operations and share data of Holding are included in the pro forma per share information provided below on a historical cost basis.

The total pro forma adjustments to net income (loss) are approximately $(38,617,000), $(44,771,000), $(49,442,000) and $(27,260,000) for the fiscal years ended March 31, 2002, 2003 and 2004 and the nine months ended December 31, 2004, respectively. The adjustments consist of net interest expense for Holding, dividends accrued for Holding s series A preferred stock, dividends declared and paid-in-kind for Holding s series B preferred stock and certain management fees charged to EMJ by Holding that are not eliminated in consolidation.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pro forma net income (loss) available to common stockholders per share information reflects the Company s operations for fiscal 2002, 2003 and 2004 and the nine months ended December 31, 2004 as if the financial restructuring occurred as of the beginning of the reported period. The pro forma basic and diluted per share information is computed based on the weighted average number of shares of common stock outstanding for each year. The computation of pro forma diluted per share information includes the dilutive effect of common stock equivalents for outstanding options and warrants exercisable for common stock using the treasury stock method for the periods in which they are dilutive. The following table presents the information referenced above and reconciles the denominators used in computing basic and diluted earnings per share:

	Years Ended March 31,			Nine Months Ended
	2002	2003	2004	December 31, 2004
				(unaudited)
Net income	$ 5,354,000	$ 2,382,000	$ 15,252,000	$ 52,932,000
Holding interest, net	(29,888,000)	(35,280,000)	(38,834,000)	(21,442,000)
Preferred dividends	(8,758,000)	(9,518,000)	(10,628,000)	(5,818,000)
Other	29,000	27,000	20,000	
Unaudited pro forma net income (loss) available to common stockholders	$ (33,263,000)	$ (42,389,000)	$ (34,190,000)	$ 25,672,000
Unaudited pro forma net income (loss) available to common stockholders per share:				
Basic	$ (2.69)	$ (3.59)	$ (2.96)	$ 2.26
Diluted	$ (2.69)	$ (3.59)	$ (2.96)	$ 1.67
Shares used in pro forma basic net income (loss) available to common stockholders per share weighted average common shares outstanding	12,365,000	11,820,000	11,555,000	11,365,000
Net effect of dilutive common share equivalents based on treasury stock method				4,052,000
Shares used in pro forma diluted net income (loss) available to common stockholders per share weighted average common shares outstanding	12,365,000	11,820,000	11,555,000	15,417,000

Impact of Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Statements (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123(R)). SFAS No. 123(R), which replaces SFAS No. 123, *Accounting for Stock-Based Compensation*, supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* and amends SFAS No. 95, *Statement of Cash Flows*. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123, which the Company adopted in December 2004. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(i.e., pro forma disclosure is no longer an alternative to financial statement recognition). SFAS No. 123(R) is effective for public companies at the beginning of the first interim or annual period beginning after June 15, 2005. Nonpublic companies will be required to adopt SFAS No. 123(R) at the beginning of the first annual period beginning after December 15, 2005. The adoption of this revision to SFAS No. 123 is not expected to have a material impact on the consolidated financial statements.

In December 2003, the FASB issued SFAS No. 132 (revised December 2003), *Employers Disclosures about Pensions and Other Postretirement Benefits* (SFAS No. 132(R)). This statement amends the disclosure requirements of SFAS No. 132 to require more details about retirement plan assets, benefit obligations, cash flows and other relevant information. SFAS No. 132(R) is effective for years ending after December 15, 2003, except certain benefit payment and international plan disclosures that are effective for fiscal years after June 15, 2004. The adoption of the disclosure provisions of SFAS No. 132(R) did not have a material effect on the Company s consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equities. The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003. This statement did not have an effect on the accompanying consolidated financial statements as of and for the periods ended March 31, 2004 and December 31, 2004.

In April 2003, FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Transactions*, which amends and clarifies financial accounting and reporting for derivative instruments, including those embedded in other contracts, and for hedging activities under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The provisions of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003. As of March 31, 2004 and December 31, 2004, the Company had no such instruments.

In December 2003, FASB issued FASB Interpretation No. 46 (revised), *Consolidation of Variable Interest Entities* (FIN No. 46(R)). FIN 46(R) provides the principles to consider in determining when variable interest entities must be consolidated in the financial statements of the primary beneficiary. In general, a variable interest entity used for business purposes that either (1) does not have equity investors with voting rights or (2) has equity investors that are not required to provide sufficient financial resources for the entity to support its activities without additional subordinated financial support. FIN 46(R) requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or entitled to receive a majority of the entity s residual returns or both. This statement did not have an effect on the accompanying consolidated financial statements as of and for the periods ended March 31, 2004 and December 31, 2004.

2. Inventories

Substantially all inventories are held for sale at the Company s service center locations and are valued at the lower of cost (using the last-in, first-out (LIFO) method) or market. If the Company had used the first-in, first-out (FIFO) method of inventory valuation, inventories would have been lower by $11,786,000 at March 31, 2003 and higher by $2,557,000 and $45,062,000 at March 31, 2004 and December 31, 2004,

respectively.

Any reduction of inventory quantities that liquidates LIFO inventories carried at costs lower or higher than costs prevailing in prior years may have a significant effect on the Company s gross profit. Such a reduction and liquidation occurred during fiscal year 2002 and fiscal year 2004, but did not have a significant effect on gross profit. There were no such reductions in fiscal year 2003.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Net Property, Plant and Equipment

Property, plant and equipment (including in-process costs for assets not yet placed in service) and accumulated depreciation at March 31, 2003 and 2004 and December 31, 2004 consisted of the following:

	March 31, 2003	March 31, 2004	December 31, 2004
			(unaudited)
Land	$ 19,558,000	$ 19,329,000	$ 18,476,000
Buildings and leasehold improvements	55,725,000	57,274,000	59,479,000
Machinery and equipment	129,120,000	131,539,000	125,156,000
In-process costs	6,807,000	1,921,000	4,069,000
	211,210,000	210,063,000	207,180,000
Less accumulated depreciation	98,173,000	97,873,000	89,284,000
Net property, plant and equipment	$ 113,037,000	$ 112,190,000	$ 117,896,000

The in-process costs at March 31, 2004 and December 31, 2004 are primarily attributable to progress payments made on equipment for the Company s tube honing facility and in Tulsa, Oklahoma and building renovation in the Company s Tulsa, Oklahoma service center. December 31, 2004 in-process costs also include costs associated with renovation of the Company s replacement facility in Houston, Texas, expansion of the Company s Wrightsville, Pennsylvania facility and the new construction of the Company s building in Birmingham, Alabama. As of March 31, 2004 and December 31, 2004 such costs total $1,300,000 and $9,038,000, respectively. Estimated remaining costs to be incurred in connection with these projects totaled $800,000 at March 31, 2004 and at December 31, 2004 these projects were essentially completed.

4. Cash Surrender Value of Life Insurance

The Company is the owner and beneficiary of life insurance policies on all former nonunion employees of a predecessor company including certain current employees of the Company and its Parent. The Company is also the owner and beneficiary of key man life insurance policies on certain current and former executives of the Company and predecessor companies. These policies, by providing payments to the Company upon the death of covered individuals, are designed to provide cash to the Company to repurchase shares held by employees in the Company s Stock Bonus Plan and shares held individually by employees upon the termination of their employment. Cash surrender value of the life insurance policies increases by a portion of the amount of premiums paid and by dividend income earned under the policies. Dividend income earned under the policies totaled $13,521,000, $17,156,000, $17,751,000, $12,411,000 and $15,381,000 in fiscal years 2002, 2003 and 2004 and the nine months ended January 1, 2004 and December 31, 2004, respectively, and is recorded as an offset to general and administrative expense in

the accompanying statements of income.

The Company has borrowed against the cash surrender value of certain policies to pay a portion of the premiums and accrued interest on those policies and to fund working capital needs. Interest rates on borrowings under the life insurance policies are fixed at 11.76%. As of March 31, 2004 and December 31, 2004, approximately $10,295,000 and $3,538,000, respectively, was available for future borrowings. The following table provides the cash surrender value and the loans outstanding at March 31, 2003 and 2004.

	Cash Surrender value before loans	Loans Outstanding	Net cash surrender value
Balance at March 31, 2003	$ 195,976,000	$ 164,969,000	$ 31,007,000
Balance at March 31, 2004	217,320,000	182,631,000	34,689,000

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Interest on cash surrender value borrowings totaled $15,996,000, $17,796,000, $20,082,000, $15,055,000 and $16,747,000 in fiscal years 2002, 2003 and 2004 and the nine months ended January 1, 2004 and December 31, 2004, respectively, and is included in net interest expense in the accompanying statements of income.

5. Long-Term Debt

Long-term debt at March 31, 2003 and 2004 and December 31, 2004 consisted of the following:

	March 31, 2003	March 31, 2004	December 31, 2004
			(unaudited)
Revolving Loans (including $1,195,000, $1,861,000 and $1,105,000 at March 31, 2003 and 2004 and December 31, 2004, respectively, related to a Canadian facility)	$ 72,937,000	$ 53,538,000	$ 92,663,000
9 3/4% Senior Secured Notes due June 1, 2012	250,000,000	250,000,000	250,000,000
Industrial Development Revenue Bonds:			
Payable in annual installments of $500,000 commencing June 1, 1998, interest at 9%	1,500,000	1,000,000	500,000
Payable in annual installments of $715,000 commencing December 1, 2004, interest at 5.25%	4,300,000	4,300,000	3,585,000
Payable in annual installments of $900,000 commencing September 1, 2000, interest at 8.5%	1,800,000	900,000	
	330,537,000	309,738,000	346,748,000
Less current portion	2,330,000	3,976,000	2,320,000
	$ 328,207,000	$ 305,762,000	$ 344,428,000

Aggregate maturities of long-term debt are as follows: $3,976,000 in fiscal year 2005; $1,215,000 in fiscal year 2006; $52,392,000 in fiscal year 2007; $715,000 in fiscal year 2008, $715,000 in fiscal year 2009 and $250,725,000 thereafter.

The fair value of the Senior Secured Notes at March 31, 2004 was $280,000,000 based on the quoted market prices as of that date. The carrying values of all other long-term debt and other financial instruments at March 31, 2004 approximate fair value.

On May 22, 2002, the Company completed the issuance and sale of 9 3/4% Senior Secured Notes due 2012 totaling $250,000,000, the proceeds from which were used to (i) redeem $105 million in aggregate principal amount of the outstanding 9 1/2% senior notes, plus call premium and accrued interest, (ii) prepay $96 million of the term loan plus accrued interest, and (iii) terminate the interest rate swap agreement. As a result of this refinancing transaction, the Company recorded a loss of $12,278,000 related to the early retirement of debt, consisting of the call premium paid, a payment to terminate the interest rate swap agreement, the write-off of deferred financing costs, and certain other expenses incurred in connection with the refinancing transaction. No tax benefit was recorded in connection with this loss due to the uncertainty in realizing the resulting deferred tax asset.

Credit Agreements

The Company s revolving credit facility (Credit Agreement) allows maximum borrowings of $200 million, including letters of credit ($8,560,000 outstanding at March 31, 2004 and $9,429,000 outstanding at December 31, 2004). Borrowings under the Credit Agreement bear interest at a base rate (generally defined as

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the greater of the bank s prime lending rate or 0.5% over the Federal Funds Rate) plus 1.25% or the adjusted Eurodollar rate plus 2.50%. At March 31, 2004, the bank s prime lending rate was 4.00% and the Eurodollar rate was 1.09%. In addition, borrowings under the revolving loans are limited to an amount equal to 85% of eligible trade receivables (as defined) plus 55% of eligible inventories (as defined). Unused available borrowings under the revolving loans totaled $139,763,000 at March 31, 2004 and $99,013,000 at December 31, 2004. The Credit Agreement matures on April 7, 2006 and is secured by a lien on all domestic inventory and accounts receivable of the Company.

Under the Credit Agreement, the Company is obligated to pay certain fees including an unused commitment fee of 0.5%, payable quarterly in arrears, and letter of credit fees of 2.50% per annum of the maximum amount available to be drawn under each letter of credit, payable quarterly in arrears, plus issuance, fronting, amendment and other standard fees. The Company paid loan commitment fees totaling of $480,000, $584,000, $447,000, $303,000 and $339,000, respectively, in fiscal years 2002, 2003 and 2004 and for the nine months ended January 1, 2004 and December 31, 2004.

The Credit Agreement contains financial covenants in respect of maintenance of minimum working capital and a fixed charge coverage ratio (as defined). The Credit Agreement also limits, among other things, the incurrence of liens and other indebtedness, mergers, consolidations, the sale of assets, annual capital expenditures, advances, investments and loans by the Company and its subsidiaries, dividends and other restricted payments by the Company and its subsidiaries in respect to their capital stock, and certain transactions with affiliates.

The Company s Canadian subsidiary maintains a one year renewable credit facility (the Canadian Facility) totaling C$9,000,000 including (i) a revolving credit facility of C$5,500,000, (ii) a term financial instruments facility of C$3,000,000 for hedging foreign currency and rate fluctuations (unused as of March 31, 2004), and (iii) a special credit facility for the issuance of a letter of guarantee up to C$500,000 in connection with the lease for the Toronto facility. Borrowings under the revolving credit facility are limited to an amount equal to 80% of eligible trade receivables (as defined) plus 40% of eligible inventories (as defined, and limited to C$1,500,000), are repayable on demand, and bear interest at the bank s annual prime lending rate plus 0.5%. At March 31, 2004, the interest rate on the revolving credit facility was 4.50%. The revolving credit facility contains financial covenants in respect of maintenance of minimum equity and a debt-to-equity ratio (as defined) and has other restrictions similar to those under the amended Credit Agreement, as described above.

Senior Secured Notes

On May 22, 2002, the Company refinanced its 9 1/2% senior notes and variable rate term loan by issuing $250 million of 9 3/4% Senior Secured Notes due June 1, 2012. The 9 3/4% Senior Secured Notes were issued at par and interest payments are made semi-annually on June 1 and December 1, commencing on December 1, 2002. The 9 3/4% Senior Secured Notes are secured by a first-priority lien (subject to permitted liens) on substantially all of the Company s existing and future acquired unencumbered property, plant and equipment and may be redeemed by the Company under certain conditions and with certain restrictions at varying redemption prices. The Indenture to the 9 3/4% Senior Secured Notes contains certain covenants which limit, among other things, the incurrence of liens and other indebtedness, mergers, consolidations, the sale of assets, investments and loans, dividends and other distributions, and certain transactions with affiliates.

Derivative Instrument

In June 1998, the Company entered into an interest rate swap agreement with Deutsche Bank Trust Company Americas (DBTCA) that effectively fixed the interest rate on the variable rate term loan at

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

approximately 9.05% through June 2003 (the Fixed Rate). Such agreement required DBTCA to make payments to the Company each quarter in an amount equal to the product of the notional amount of $95 million and the difference between the three month London Interbank Offered Rate and 3.25% (Floating LIBOR) and the Fixed Rate, if the Floating LIBOR was greater than the Fixed Rate on a per diem basis. If Floating LIBOR was lower than the Fixed Rate, the Company was required to pay DBTCA an amount equal to the product of the notional amount and the difference between the Fixed Rate and Floating LIBOR on a per diem basis. Under the provisions described above, net payments (receipts) in fiscal years 2001 and 2002 were $(721,000) and $2,248,000, respectively. Because the interest rate swap agreement was terminated in May 2002 in connection with the prepayment of the Company s term loan resulting from the issuance and sale of the 9 3/4% Senior Secured Notes described above, no quarterly settlements were required in fiscal year 2003.

The interest rate swap agreement was considered a highly effective cash flow hedge under the provisions of SFAS No. 133, as amended, which was adopted by the Company effective April 1, 2001. Under SFAS No. 133, the effective portion of gain or loss resulting from changes in the fair value of the interest rate swap agreement is reported in other comprehensive income while the ineffective portion is recognized in net income. For the year ended March 31, 2002, a loss of $2,925,000 was recognized in other comprehensive income and a loss of $100,000 was recognized in net income. As of March 31, 2002, the interest rate swap agreement represented a long-term liability with a fair market value of $3,025,000, as calculated under the provisions of SFAS No. 133. In connection with the issuance and sale of the 9 3/4% Senior Secured Notes, the Company paid $3,025,000 to terminate the interest rate swap agreement, which was recognized as part of the loss of $12,278,000 related to the early retirement of debt.

Other

The Company s industrial revenue development bonds were issued in connection with significant facility improvements or construction projects.

6. Income Taxes

Significant components of the provision for income taxes attributable to continuing operations for the years ended March 31, 2002, 2003 and 2004 were as follows:

	2002	2003	2004
Current:			
Federal	$ (49,000)	$ 435,000	$
State	492,000	492,000	1,458,000
Foreign	12,000	573,000	1,669,000
Total current	455,000	1,500,000	3,127,000

Deferred:			
Federal	(3,277,000)	373,000	(1,666,000)
State	(482,000)	42,000	(995,000)
Valuation allowances	3,759,000	(415,000)	2,661,000
Total deferred			
	$ 455,000	$ 1,500,000	$ 3,127,000

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The reconciliation of the income tax provision to the amount that would result from applying the U.S. statutory rate for years ended March 31, 2002, 2003 and 2004 were as follows:

	2002	2003	2004
Expected tax at Federal statutory rate	$ 2,033,000	$ 5,656,000	$ 6,433,000
State franchise tax expense and capital taxes, net of Federal taxes	320,000	320,000	948,000
Expiration of capital loss carryforward		5,618,000	
Net increase in cash surrender values of life insurance	(4,732,000)	(6,005,000)	(6,213,000)
Change in valuation allowance	3,759,000	(415,000)	2,661,000
Other	(925,000)	(3,674,000)	(702,000)
Income tax provision	$ 455,000	$ 1,500,000	$ 3,127,000

The change of $2,661,000 in the valuation allowance for deferred tax assets as of March 31, 2004 was due primarily to the generation of a tax loss in fiscal year 2004.

Income before taxes consists primarily of income from the Company s domestic operations. For fiscal years 2002, 2003 and 2004, the Company s foreign operations, including the captive insurance subsidiary, generated pre-tax income (loss) of $(2,369,000), $2,267,000 and $4,342,000, respectively.

Significant components of the Company s deferred income tax assets and liabilities at March 31, 2003 and 2004 were as follows:

	2003	2004
Deferred tax liabilities:		
Tax over book depreciation	$ 7,709,000	$ 8,893,000
Purchase price adjustments	35,846,000	35,210,000
Total deferred tax liabilities	43,555,000	44,103,000
Deferred tax assets:		
Net operating loss and credit carryforwards	19,473,000	21,142,000
Capital loss carryforward		
Workers compensation and other insurance accruals	3,011,000	3,438,000
Inventory and related reserves	4,105,000	5,024,000

Other	1,858,000	2,052,000
Valuation allowance for deferred tax assets	(20,278,000)	(22,939,000)
Net deferred tax assets	8,169,000	8,717,000
Net deferred tax liabilities	$ 35,386,000	$ 35,386,000

At March 31, 2004, the Company had net operating loss carryforwards of $49,214,000 for Federal income tax purposes and $29,870,000 for state income tax purposes. The Federal carryforwards resulted from the Company s losses during 1993, 1996 and 2002, and expire in years 2008, 2011 and 2022, respectively, while the State carryforwards were generated in various states over various years. The ultimate realization of the benefits of these loss carryforwards is dependent on future profitable operations. In addition, use of the Company s net operating loss carryforwards and other tax attributes may be substantially limited if a cumulative change in ownership of more than 50% occurs within any three year period subsequent to a loss year. At March 31, 2004, the Company had an alternative minimum tax carryforward of approximately $2,364,000, which can be utilized over an indefinite period of time.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On September 11, 2002, new tax laws were enacted in California that suspend the use of net operating tax carryforwards into years beginning on or after January 1, 2002 and 2003. Accordingly, net operating losses generated in California in prior tax years cannot be used to offset the Company s taxable income for the years ended March 31, 2003 and 2004. This suspension will not apply to tax years beginning on or after January 1, 2004 and did not have a material impact on the Company s results of operations for the year ended March 31, 2004 and nine months ended December 31, 2004.

The Company has not provided for taxes on undistributed earnings from its non-U.S. subsidiaries because such earnings are intended to be re-invested indefinitely. If these earnings were distributed, foreign tax credits may become available under current tax law to reduce the resulting U.S. tax liability.

Income tax expense for the first nine months of fiscal 2005 included provisions for state franchise, federal and foreign income taxes, while fiscal 2004 tax expense included provisions for state franchise and foreign income taxes. The federal rate for the first nine months of fiscal 2005 was 7.6% of domestic taxable income, and was lower than the U.S. federal statutory tax rate primarily due to the recognition of tax benefits associated with the utilization of loss carryforwards. The Company s effective tax rate is based on estimated annual taxable income.

7. Employee Benefit Plans

Stock Bonus Plan

The Company and Holding have a Stock Bonus Plan (the Plan , formerly an employee stock ownership plan (ESOP) prior to April 1, 1999) which covers nonunion employees of the Company who meet certain service requirements. The cost of the Plan is borne by the Company through annual contributions to a trust in amounts determined by the Board of Directors. Prior to an agreement reached with the Department of Labor in January 2003 (see Note 8), contributions were made in cash or shares of Holding s stock as Holding s Board of Directors may from time to time determine. Participants vest at a rate of 20% per year of service and become fully vested at age 65 or upon retirement, disability or death. Upon the occurrence of a participant s termination (as defined), retirement, disability, or death, the Plan is required to either distribute the vested balance in stock or to repurchase the vested balance for cash. If stock is distributed, it is accompanied by a put option to Holding under terms defined in the Plan. Shares of Holding s Series A and B preferred and common stock owned by the Plan totaled 38,282, 28,730 and 2,652,874 at March 31, 2004 and 35,208, 28,697 and 2,506,309 at December 31, 2004, respectively. For fiscal years ended March 31, 2002, 2003, 2004 and the nine months ended January 1, 2004, and December 31, 2004, contributions accrued to the Plan s trust totaled $2,831,000, $2,772,000, $2,783,000, $2,147,000 and $2,876,000 which represented 5% of eligible compensation for each of the respective periods. The contributions payable as of March 31, 2002, 2003 and 2004 and for the nine months ended January 1, 2004 and December 31, 2004 have been or will be paid in cash. The Company recognizes the cost of the Plan as compensation expense with a corresponding amount reflected in its capital for the value of Holding s common stock contributed to the trust by Holding, or as a dividend to Holding for contributions paid in cash.

The Company also has a supplemental stock bonus plan to include highly compensated employees and other employees, who are not eligible to participate in the plan. Contributions payable, vesting and distributions in the supplemental plan are comparable to those under the Plan.

Contributions under this supplemental plan are made in cash and are held in an irrevocable trust. For the fiscal years ended March 31, 2002, 2003 and 2004, contributions payable totaled $76,000, $78,000 and $90,000, respectively.

Although Holding has not expressed any intent to terminate or amend the plan, it has the right to do so at any time. In the event of any termination, participants become fully vested to the extent of the balances in their separate accounts and come under the put options as previously discussed.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pension Plans

The Company maintains a noncontributory defined benefit pension plan covering substantially all hourly union employees (the Hourly Plan). Benefits under the Hourly Plan vest after five years and are determined based on years of service and a benefit rate that is negotiated with each union. The assets of the Hourly Plan for participants are held in trust and consist of bonds, equity securities and insurance contracts. The Company contributes at least the minimum required annually under ERISA. The Company also maintains an unfunded supplemental pension plan, which provides benefits to highly compensated employees; this plan has been frozen to include only existing participants (the Supplemental Plan).

Components of net periodic pension cost (credit) associated with the Company s pension plans for years ended March 31, 2002, 2003 and 2004 and nine months ended January 1, 2004 and December 31, 2004 are as follows:

				Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
				(unaudited)	
Service cost of benefits earned during the period	$ 433,000	$ 432,000	$ 523,000	$ 392,000	$ 492,000
Interest cost on projected benefit obligation	784,000	843,000	879,000	630,000	733,000
Expected return on plan assets	(1,017,000)	(864,000)	(763,000)	(573,000)	(753,000)
Amortization of prior service cost	(95,000)	(47,000)	(37,000)	(28,000)	84,000
Recognized net (gain) loss	(66,000)	21,000	267,000	181,000	100,000
	$ 39,000	$ 385,000	$ 869,000	$ 602,000	$ 656,000

Categories of plan assets	2003	2004
Bonds	13%	14%
Stocks	87%	86%

During fiscal year 2005, a contribution of $700,000 was made.

The Hourly Plan is 100% invested in Wells Fargo Asset Allocations Collective Investment Fund (the Fund). The Fund seeks long-term total return, consistent with reasonable risk, by shifting investments among stocks and U.S. Treasury long-term bonds using a quantitative asset

allocation strategy. The Fund invests in common stocks that comprise the S&P 500 Index and bonds that comprise the Lehman Brothers 20+ Treasury Bond Index. The Fund will remain near its strategic allocation of 60% stocks and 40% bonds the majority of the time to maximize the probability of achieving its long-term risk and return objectives.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following provides a reconciliation of the changes in the benefit obligation and fair value of plan assets, and the funded (unfunded) status of the pension plans for the years ended March 31, 2003 and 2004:

	2003	2004
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 11,350,000	$ 14,066,000
Service cost	432,000	523,000
Interest cost	843,000	879,000
Change in assumptions	1,414,000	958,000
Amendments	504,000	67,000
Benefit payments	(514,000)	(545,000)
Actuarial loss/(gain)	37,000	(157,000)
Benefit obligation at end of year	14,066,000	15,791,000
Change in Plan Assets:		
Fair value of plan assets at beginning of year	11,203,000	9,297,000
Actual return on assets	(1,434,000)	2,205,000
Benefit payments	(514,000)	(545,000)
Company contributions	92,000	793,000
Fees	(50,000)	(31,000)
Fair value of plan assets at end of year	9,297,000	11,719,000
Unfunded	(4,769,000)	(4,072,000)
Unrecognized prior service cost	(236,000)	(131,000)
Unrecognized net actuarial gain	3,658,000	2,780,000
Net amount recognized	$ (1,347,000)	$ (1,423,000)

The following provides a reconciliation of the changes in the benefit obligation and fair value of plan assets, and the funded (unfunded) status of the pension plans for the years ended March 31, 2003 and 2004:

	2003	2004
Amounts recognized in balance sheets consist of:		
Prepaid cost	$	$
Accrued benefit liability	(4,746,000)	(4,048,000)
Accumulated comprehensive loss-additional minimum liability	3,399,000	2,625,000

Net amount recognized	$ (1,347,000)	$ (1,423,000)
Weighted-average assumptions as of March 31:		
Discount rate	6.50%	6.00%
Expected return on assets	8.25%	8.25%
Rate of compensation increase		
Measurement date for assets and liabilities	1/1/2003	1/1/2004

The return on assets assumption assumes a long term return of 9% on equity investments and 7% on government bond investments with a 60% equity and 40% bond target investment mix. Long-term rates of return on equity investments are trending approximately 7% above current CPI, while long-term rates of return on government bond investments are trending approximately 5% above current CPI. Current CPI has been approximately 2% for the last few years.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In accordance with union agreements, the Company also contributes to multi-employer defined benefit retirement plans covering substantially all union employees of the Company. At December 31, 2004, three different unions represented approximately 559 of our employees from 15 locations (33% of total employees). Our collective bargaining agreements expire at staggered dates through March 2010; bargaining agreements that will expire in fiscal 2005 represent 1% of total employees. Expenses incurred in connection with these plans totaled $1,015,000, $1,295,000, $1,798,000 and $1,445,000 in fiscal years 2002, 2003 and 2004 and for the nine months ended December 31, 2004, respectively.

Postretirement Benefit Plan

In addition to the Company s defined benefit pension plans, the Company sponsors a defined benefit health care plan that provides postretirement medical and dental benefits to eligible full time employees and their dependents (the Postretirement Plan). The Postretirement Plan is fully insured, with retirees paying a percentage of the annual premium. Such premiums are adjusted annually based on age and length of service of active and retired participants. The Postretirement Plan contains other cost-sharing features such as deductibles and coinsurance. The Company recognizes the cost of future benefits earned by participants during their working careers, as determined using actuarial assumptions. Gains and losses realized from the remeasurement of the plan s benefit obligation are amortized to income over three years.

In December 2003, the FASB issued SFAS No. 132 (revised December 2003), *Employers Disclosures about Pensions and Other Postretirement Benefits* (SFAS 132(R)). This statement amends the disclosure requirements of SFAS No. 132 to require more details about retirement plan assets, benefit obligations, cash flows and other relevant information. SFAS No. 132(R) is effective for years ending after December 15, 2003, except certain benefit payment and international plan disclosures that are effective for fiscal years after June 15, 2004. The adoption of the disclosure provisions of SFAS No. 132(R) did not have a material effect on the Company s consolidated financial statements.

Components of the net benefit cost associated with the Company s Postretirement Plan for years ended March 31, 2002, 2003 and 2004 and for the nine months ended January 1, 2004 and December 31, 2004 are as follows:

	March 31,			Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
					(unaudited)
Service cost of benefits earned during the period	$ 223,000	$ 249,000	$ 293,000	$ 250,000	$ 253,000
Interest cost on projected benefit obligation	211,000	258,000	271,000	238,000	220,000
Recognized net (gain) loss	(185,000)	(9,000)	55,000	75,000	138,000
	$ 249,000	$ 498,000	$ 619,000	$ 563,000	$ 611,000

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables provide a reconciliation of the changes in the benefit obligation and the unfunded status of the Postretirement Plan for the years ended March 31, 2003 and 2004.

	March 31,	
	2003	2004
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 3,271,000	$ 4,328,000
Service cost	249,000	293,000
Interest cost	258,000	271,000
Change in assumptions	950,000	262,000
Benefit payments	(208,000)	(151,000)
Actuarial gains	(192,000)	(87,000)
Benefit obligation at end of year	4,328,000	4,916,000
Unfunded	(4,328,000)	(4,916,000)
Unrecognized prior service cost		
Unrecognized net actuarial gain	358,000	478,000
Accrued benefit cost	$ (3,970,000)	$ (4,438,000)
Weighted-average assumptions as of March 31:		
Discount rate	6.50%	6.00%
Healthcare cost trend rate	12.00%	11.00%
Measurement date for assets and liabilities	1/1/2003	1/1/2004

The healthcare cost trend rate of 11.0% used in the calculation of net benefit cost of the Postretirement Plan is assumed to decrease 1.0% per year to 6.0% for 2009 and remain at that level thereafter.

Assumed healthcare trend rates have a significant effect on the amounts reported for the Company s Postretirement Plan. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total service and interest cost components	$ 88,000	$ (74,000)
Effect on postretirement benefit obligation	644,000	(550,000)

8. Commitments and Contingencies

Lease Commitments

The Company leases, under several agreements with varying terms, certain office and warehouse facilities, equipment and vehicles. Rent expense totaled $21,353,000, $21,657,000 and $22,302,000 for the years ended March 31, 2002, 2003 and 2004, respectively. Sublease income for the years ended March 31, 2002, 2003 and 2004 was $456,000, $632,000 and $653,000, respectively. Minimum rentals of certain leases escalate from time to time based on certain indices.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At March 31, 2004 the Company was obligated under non-cancellable operating leases for future minimum rentals as follows:

Fiscal year:	
2005	$ 18,422,000
2006	14,315,000
2007	10,323,000
2008	7,337,000
2009	5,718,000
Thereafter	43,939,000
Sub-total	100,054,000
Less: Non-cancellable subleases	(7,961,000)
Net lease obligations	$ 92,093,000

Other Commitments

On January 14, 2004, the Company announced that it had reached an agreement with Earle M. Jorgensen Holding Company, Inc. (Holding) and Holding s principal securityholders providing for a restructuring of the combined capital structure. The financial restructuring is being effected pursuant to an Agreement and Plan of Merger and Reorganization dated as of December 18, 2003 among the Company, Holding and EMJ Metals LLC, a newly-formed wholly-owned subsidiary, as well as an Exchange Agreement among the Company, Holding and Kelso Investment Associates IV, L.P. and certain of its affiliates (Kelso). The principal effect of the financial restructuring will be to convert all outstanding debt and equity securities of Holding to the Company s common stock. Kelso is the holder of Holding s outstanding Series A Variable Rate Notes and also is Holding s controlling stockholder.

On May 25, 2004, the Company announced that the proposed restructuring of the combined capital structure of Earle M. Jorgensen Company (EMJ) with Holding, its parent company, had been delayed. Because of the delay, additional negotiations among Holding s securityholders and changes to the structure of the transaction are required before it can proceed. There is no assurance that the transaction will be successfully negotiated or, if negotiated, will be approved by the requisite votes of Holding s stockholders or that the other conditions to completion of such a transaction will be satisfied. Thus there can be no assurance that the merger will be consummated.

In connection with the 1990 merger, the Company agreed to pay Kelso, which owns the majority of Parent s common stock, an annual fee of $1,250,000 each year for financial advisory services and to reimburse it for out-of-pocket expenses incurred in connection with rendering such services. Kelso waived this annual fee for fiscal years 2000, 2001, 2002, 2003 and 2004. The Company also agreed to indemnify Kelso and its affiliates against certain claims, losses, damages, liabilities, and expenses that may arise in connection with the financial restructuring. However, expenses paid to Kelso in fiscal years 2002, 2003 and 2004 were not significant.

Governmental Matters

The Internal Revenue Service (the IRS) conducted an audit of the Company s employee stock ownership plan (the Plan) for the fiscal years ended March 31, 1992, through March 31, 1996, and issued a preliminary report to the Company in which the IRS asserted that certain contributions of stock by the Parent to the Plan violated provisions of the Internal Revenue Code because the securities contributed were not qualifying employer securities as defined by ERISA. In fiscal year 2002, this matter was settled without the Company admitting the allegations of the IRS, and the Company paid $1,919,000 of excise tax to the IRS.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Department of Labor (the DOL) also investigated the same transactions involving the Plan. In the course of its investigation, the DOL and its advisors reviewed the valuations of the Parent s common and preferred stock prepared for the Plan and challenged the methodology used in preparing the valuations.

On March 8, 2002, the DOL sued the Company, the Parent, the Plan and former members of the Company s benefits committee in the federal district court for the Central District of California. The DOL claims that the valuations of Parent s common stock used to make annual contributions to the Plan in each of the years 1994 through 2000 contained significant errors that resulted in the common stock being overvalued, and that the failure of the members of our benefits committee to detect and correct the errors was a breach of their fiduciary duty under ERISA. As a result of the alleged overvaluations, the DOL contended that the contributions to the Plan were prohibited transactions under ERISA. On January 27, 2003, the Company signed a settlement agreement with the DOL in connection with their lawsuit. The key provisions of the agreement are as follows: (i) the Company is not required to make any payments under the agreement at this time; (ii) the Company is prohibited to make further common stock contributions to the stock bonus plan; (iii) the Company will continue to obtain annual appraisals of Parent stock using methodology consistent with prior appraisals, and use that appraised value as the purchase price for repurchases of common stock as it has done in the past, and; (iv) if the annual appraisal of the Company s common stock is less than $4.25 per share, the Company shall pay a floor price of $4.25 per share in connection with the repurchase of common stock from departing employees for shares that were originally contributed to the stock bonus plan for the plan years 1994 through 2000.

If the Company pays the floor price in connection with the repurchase of common stock from departing employees, the agreement also allows the DOL to assess the Company a penalty equal to 20% of the amount calculated by multiplying the difference between the appraised value and the floor price by the number of shares repurchased at the floor price.

The Company does not believe the settlement will have a material impact on its financial condition or future results of operations, and believes payments under the settlement, if any, will most likely be paid in immaterial amounts which will be spread over many years.

In December 2003, the Company entered into agreements with Holding, a subsidiary and the principal stockholders of Holding providing for a financial restructuring. Prior to approval of the transaction, the DOL initiated a review of the procedures followed by Holding s benefits committee in connection with evaluation of the proposed transaction and other strategic alternatives available to Holding and an assessment of whether or not the proposed transaction complied with the terms of the consent order and the legal requirements applicable to the stock bonus plan. Such review resulted in delays that, combined with other transactional requirements, precluded the consummation of the financial restructuring on the terms originally proposed. The Company is considering changes to the proposed transaction that will achieve the objectives of the original restructuring transaction, while meeting the concerns expressed by the DOL. Holding intends to review any proposed transaction with the DOL in advance under their compliance assistance program to ensure compliance with the terms of the consent order and applicable law. There can be no assurance that a revised transaction will be agreed upon, approved by the Holding stockholders and consummated.

Environmental Contingencies

The Company is subject to extensive and changing federal, state, local and foreign laws and regulations designed to protect the environment and human health and safety, including those relating to the use, handling, storage, discharge and disposal of hazardous substances and the remediation of environmental contamination. As a result, the Company is from time to time involved in administrative and judicial proceedings and inquiries relating to environmental matters.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During fiscal years 2002, 2003 and 2004, expenditures made in connection with environmental matters totaled $97,000, $194,000 and $232,000, respectively, principally for settlement of claims, and monitoring, remediation and investigation activities at sites with contaminated soil and/or groundwater and were expensed as incurred. As of March 31, 2004, an accrual of $203,000 exists for future investigation and remediation expenditures related to the following pending environmental matters.

Forge (Seattle/Kent, WA). In November 1998, the Company paid the purchasers of its former Forge facility and an off-site disposal site $2,250,000 as an arbitration award for liabilities related to the remediation of known contamination at the Forge facility. The Company continues to monitor the disposal site for environmental conditions in accordance with a consent decree issued by the Washington Department of Ecology (Ecology). Annual costs associated with such monitoring are not significant, and the Company does not anticipate significant additional expenditures related to this matter.

The Forge property is located on the Lower Duwamish Waterway, which has been identified by the United States Environmental Protection Agency (EPA) as a Superfund Site (the Duwamish Site). Under the Federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), owners or operators of facilities that have released hazardous substances to the environment may be liable for remediation costs and damages to natural resources caused by such releases. Courts have held that such liability may be joint and several; however, in many instances, the costs are allocated among the parties, primarily based on their estimated contribution to the contamination. The EPA has entered into an Administrative Order of Consent (AOC) with four major property owners with potential liability for cleanup of the Duwamish Site that outlines tasks required to be completed to further investigate the nature and extent of the contamination and cleanup alternatives. In November 2001, the current owners of the Forge property notified the Company of a potential claim for indemnification for any liability relating to contamination of the Duwamish Site. The notification stated that the Forge facility, along with other businesses located along the Duwamish Site, are expected to be named as potentially responsible parties for contamination of the Duwamish Site and requested that the Company participate under a joint defense.

On July 10, 2003, pursuant to a request from the EPA, the Company signed an AOC under CERCLA to investigate certain areas of the Duwamish site. A preliminary cost of proposed work under the AOC ranges from $350,000 to $450,000, and is subject to approval by the EPA. On April 15, 2003, the Company signed a funding and participation agreement with the current owners of the Forge property, which requires it to fund 85% of costs to be incurred in connection with the investigation activities to be performed under the AOC. As of March 31, 2004, the Company has accrued $203,000 for remaining costs that are expected to be incurred in future years.

The Company is continuing to evaluate this matter and remedies it may have, including insurance recoveries for any monies to be spent as part of the investigation or cleanup of the Duwamish Site. Because the Duwamish Site is still being investigated and clean up alternatives and responsibility for clean up are still being evaluated at this time, the Company cannot determine what ultimate liability it may have relating to this matter.

Union (New Jersey). During fiscal year 1994, the Company was notified by the current owner that it has potential responsibility for the environmental contamination of a property formerly owned by a subsidiary and disposed of by such subsidiary prior to its acquisition by the Company. The prior owner of such subsidiary has also been notified of its potential responsibility. On March 27, 1997, the current owner of the property informed the Company that it estimated the cost of investigation and cleanup of the property at $875,000 and requested contribution to

such costs from the Company and the prior owner. The Company has contested responsibility and commented on the cleanup plan and has not received any further demands or notifications. The Company does not have sufficient information to determine what potential liability it has, if any.

Although it is possible that new information or future developments could require the Company to reassess its potential exposure relating to all pending environmental matters, management believes that, based upon all

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

currently available information, the resolution of such environmental matters will not have a material adverse effect on the Company s financial condition, results of operations or liquidity. The possibility exists, however, that new environmental legislation and/or environmental regulations may be adopted, or other environmental conditions may be found to exist, that may require expenditures not currently anticipated and that may be material.

9. Legal

On April 22, 2002, the Company was sued by Champagne Metals, a small metals service center distributing aluminum coil products in Oklahoma, alleging that the Company had conspired with other metal service centers to induce or coerce aluminum suppliers to refuse to designate Champagne Metals as a distributor, which resulted in unspecified damages. EMJ and the other defendants filed motions for summary judgment, and on June 15, 2004, the federal District Court for the Western District of Oklahoma entered an order granting the motions for summary judgment of each of the defendants including EMJ and dismissed the case. The time for an appeal expires on July 15, 2004.

The Company is involved in other litigation or legal matters in the normal course of business. In the opinion of management, these matters will be resolved without a material impact on the Company s financial position or results of operations.

10. Subsequent Events (unaudited)

The Department of Labor In December 2003, the Company entered into a merger agreement and an exchange agreement with Holding, EMJ Metals LLC, a wholly owned subsidiary of the Company, and the principal stockholders of Holding that provided for a financial restructuring pursuant to which Holding would cease to exist as the parent company of the Company and the stockholders and noteholder of Holding would receive shares of Company common stock based on a fixed exchange ratio. Prior to approval of the transaction, the U.S. Department of Labor (DOL) initiated a review of the procedures followed by Holding s benefits committee in connection with evaluation of the proposed transaction and other strategic alternatives available to Holding and an assessment of whether or not the proposed transaction complied with the terms of the consent order entered on January 29, 2003 and the legal requirements applicable to Holding s stock bonus plan. The investigation and related discussions with the DOL resulted in delays that, combined with other transactional requirements, precluded the consummation of the financial restructuring on the terms originally proposed. The parties to the merger agreement and exchange agreement executed an agreement terminating the merger agreement and the exchange agreement as of July 30, 2004. Notwithstanding such termination, representatives of Holding s special committee, Kelso & Company (Kelso), the Company and the benefits committee continued to work on an alternative transaction to restructure the combined capital structure of Holding and the Company and negotiate a financial restructuring transaction.

In August 2004, Holding and the benefits committee submitted a proposal to the DOL for the amendment of the consent order to change the methodology used in preparing annual valuations for Holding s stock bonus plan. In connection with the change in valuation methodology, Holding also determined that it would be in the best interests of the plan to make a special contribution of additional shares of Holding common stock with respect to the shares of Holding common stock held by the stock bonus plan. This contribution (which would be converted into a contribution of Company common stock upon consummation of the financial restructuring) would offset the adverse effect on participants in the

stock bonus plan, because the change in methodology would cause a significant decrease in the appraised value of the Holding common stock. This proposal was approved by the DOL on November 17, 2004. On December 16, 2004, the board of directors of Holding approved the amended consent order and the program documents committing to make the special contribution to the stock bonus plan, and on December 17, 2004, the amended consent order was executed by Holding, the benefits committee and the DOL, and on January 3, 2005, the amended consent order was entered by the district court and became effective.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Holding has authorized a special contribution of additional shares of Holding common stock or common stock equivalents to (1) the stock bonus plan, (2) the supplemental stock bonus plan and (3) a cash bonus plan. The special contribution will consist of 1.0817 shares of Holding common stock or its equivalent with respect to each share of Holding common stock held in the stock bonus plan. This amount is equal to (a) the difference between the appraised value as of March 31, 2004 using the old methodology and the appraised value as of March 31, 2004 using the new methodology, divided by (b) the appraised value as of March 31, 2004 using the new methodology, adjusted for the dilutive effect of such contribution. After giving effect to the special contribution, the stock bonus plan participants holding Holding common stock will continue to have shares of Holding common stock with the same aggregate value, notwithstanding the change in valuation methodology which otherwise would have had the effect of reducing the aggregate value of their equity interests. As of January 12, 2005, there were 2,454,119 shares of Holding common stock in the stock bonus plan of which 2,275,628 shares of Holding common stock were allocated to the accounts of participants who are still Company employees and are eligible to receive the special contribution in the form of common stock contributed to the plan. The special contribution will consist of up to 2,461,547 shares of Holding common stock or its equivalent and cash bonuses paid through a new cash bonus plan of approximately $1,056,000 in the aggregate to participants who are no longer employed by the Company. The Company charged approximately $17,327,000 in the aggregate to expenses in the third quarter of fiscal 2005 with respect to the commitment to make the special contribution in December 2004.

To ensure compliance with the Internal Revenue Code and ERISA requirements, the first contribution will be made after the completion of the plan year ended March 31, 2005. Due to certain Internal Revenue Service rules limiting the amount of contributions that can be made in a single year, the contributions will be made over two years, and affected participants who are no longer employed by the Company will receive the program benefits in cash payments outside the stock bonus plan. Other Internal Revenue Service rules limit contributions that discriminate in favor of highly compensated employees. Holding has adopted an amendment to the stock bonus plan that provides for stock contributions for the plan years ending March 31, 2005 and March 31, 2006. To the extent legally permissible, each participant will receive the special contribution of 1.0817 additional shares of Holding common stock for each share of Holding common stock which remained in their account as of the date of the amended consent order in two contributions. To the extent participants do not receive their full allocation under the stock bonus plan over the two years, the program benefits will be provided under a cash bonus plan or through credits of units under a phantom stock plan called the supplemental stock bonus plan. The program has been designed to ensure that each participant will receive the equivalent value of their allocation of the special contribution determined as of the date of the amended consent order, whether or not they continue to be employed by the Company or continue to be a plan participant.

If the financial restructuring and the public offering are consummated, the Company will assume Holding s obligations under all aspects of the program and the stock contributions will be made in the Company s common stock.

Financial Restructuring The Company, Holding and Kelso have negotiated a financial restructuring transaction (approved by the boards of the Company and Holding on December 16, 2004) to be consummated concurrently with this offering (approved by the Company s board on September 27, 2004). The transaction will involve a merger between Holding and a wholly owned subsidiary of the Company pursuant to a merger agreement dated as of December 17, 2004, as amended as of January 28, 2005, and further amended as of March 3, 2005. Pursuant to the merger agreement (1) all issued and outstanding shares of Holding s common stock will be converted into shares of the Company s common stock and (2) all issued and outstanding shares of Holding s 13% Cumulative Preferred Stock, or the series A preferred stock, and Holding s Variable Rate Cumulative Preferred stock, or the series B preferred stock, will be converted into a combination of cash and shares of the Company s common stock. In addition, pursuant to an exchange agreement dated as of December 17, 2004, and amended as of March 3, 2005, Kelso Investment Associates IV, L.P. (KIA IV) will, concurrently

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

with and subject to the completion of the merger, exchange all of the outstanding Series A Variable Rate Notes of Holding, or the Holding notes, for a combination of cash and shares of the Company s common stock and will exchange all rights pursuant to warrant agreements executed by Holding entitling KIA IV to purchase shares of the common stock of Holding for shares of the Company s common stock. Pursuant to the exchange agreement, the Kelso funds voted all shares of Holding capital stock held by it in favor of the adoption and approval of the merger agreement and the merger. The value of the shares of our common stock for use as merger consideration will be determined by the price at which a share of our common stock is sold in our initial public offering to be consummated concurrently with the merger. The net proceeds of this offering will be allocated to the payment of the cash consideration for the series A preferred stock, series B preferred stock and Holding notes upon consummation of the merger and financial restructuring in accordance with the terms of the merger agreement and the exchange agreement.

While the stockholders of Holding have approved the merger at a special meeting of stockholders held on April 13, 2005, the consummation of the financial restructuring is subject to several other customary conditions. In addition, the consummation of the financial restructuring and this offering are conditioned upon one another. There is no assurance that this offering will be completed successfully or that the other conditions to completion of the transaction will be satisfied.

Contingencies As soon as practicable after, and conditioned upon consummation of, this offering, the Company has committed to pay a taxable initial public offering bonus to its employees on the closing date who are also participants in the stock bonus plan. The initial public offering bonus plan provides for the payment of a bonus of $7,500,000 in the aggregate to participants and a bonus of $1,000,000 in the aggregate to a certain subset of participants, which will be allocated to each group s participants in accordance with the plan and based on the number of shares of Holding common stock owned in the stock bonus plan.

The Company s obligation in regards to the stock contribution discussed above in this Note 10 is to contribute up to 2,461,547 shares of the Company s common stock to the stock bonus plan. The per share price of common stock used in determining the value of the contribution was $6.61 per share. In fiscal 2006 and 2007, when the stock contributions are made, if the market price of the common stock is greater than (less than) the price used for the initial valuation of the contribution, the Company is required to record an additional expense (benefit) for the difference between the then current market price and the initial share price. The Company will adjust its remaining stock contribution obligation on a quarterly basis until the share contribution has been fulfilled.

Stock-Based Compensation During December 2004, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation,* using the modified-prospective transition method, for all employee awards granted, modified or settled after April 1, 2004, as permitted by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure-An Amendment of FASB Statement No. 123.* In accordance with SFAS No. 123, the Company estimated the fair value of options using an option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, and the expected life of the options. The Company s common stock is not currently traded on a national securities exchange or an over-the-counter market, and therefore an effectively zero percent volatility was used. The dividend yield is excluded from the calculation, as it is the Company s intention to retain all future earnings. All stock options had fully vested prior to the adoption of SFAS No. 123.

Subsequent to the adoption of SFAS No. 123, the Company modified, as defined in SFAS No. 123, the terms of its outstanding stock options by adjusting the number of shares that can be purchased pursuant to each

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option and the exercise price per share to offset the reduction in the appraised value of the Holding common stock resulting from the change in valuation methodology required by the amended consent order for Holding s stock bonus plan. As a result of this change, options to purchase 1,731,000 shares of Holding common stock at a weighted average exercise price of $5.92 per share were converted into options to purchase 3,053,668 shares of Holding s common stock at a weighted average exercise price of $3.35 per share. In accordance with SFAS No. 123, modifications made to outstanding options require a stock compensation charge for the difference between the intrinsic value of the outstanding stock options before the modifications and the fair value of the stock options after the modifications, using an option pricing model described above. As a result of the modifications to the outstanding stock options, the Company recorded a stock compensation charge of $1,557,000 during the three months ended December 31, 2004. In connection with the financial restructuring, all of the issued and outstanding options to purchase shares of Holding common stock will be converted into options to purchase an equal number of shares of the Company s common stock at the same exercise price.

On December 16, 2004, and prior to the modification of the outstanding options, Holding agreed to pay the chief executive officer a cash payment of $3,006,000 (equal to the difference between the appraised value of the Holding common stock as of March 31, 2004 of $13.76 and the exercise price of $5.41 per share) in consideration of the redemption of options to purchase 360,000 shares of Holding common stock held by the Company s chief executive officer.

Clinton Drive (Houston, TX) In connection with the sale of a surplus facility in Houston, Texas, an environmental investigation of the site detected benzene in the groundwater at the site that we believe came from previously removed diesel/gasoline underground storage tanks. Based on additional sampling and tests, traces of chlorinated solvents were also detected in the groundwater at the site. In connection with the sale of the property, on December 9, 2004, the Company entered into an agreement with the buyer that provides for us to do the following:

- file a voluntary clean-up application with the Texas Commission for Environmental Quality, or TCEQ, that commits us to clean-up the soil and groundwater at the site for the benzene and chlorinated solvents to acceptable levels in accordance with TCEQ requirements;
- fund an escrow account with $0.5 million to be available to complete required clean-up and subsequent monitoring activities; and
- indemnify the buyer for pre-existing environmental issues on the site based on applicable TCEQ industrial/commercial standards.

The Company has accrued $0.5 million for the estimated liability from this issue.

Related Party Transaction On December 16, 2004, the Company amended its advisory agreement with Kelso and paid Kelso a fee of $6,250,000 in connection with termination of the Company s obligation to pay fees to Kelso under the advisory agreement. The obligations of Kelso to provide financial advisory services and of the Company to reimburse expenses of and provide indemnification to Kelso remained in effect.

Credit Agreement The Company amended its Credit Agreement on March 3, 2005, to permit maximum borrowings of $300.0 million. Borrowings under the Credit Agreement bear interest at a base rate (generally defined as the greater of the bank s prime lending rate or 0.5% over the Federal Funds rate) plus 1.00% or the adjusted Eurodollar rate plus 2.00%. The applicable margin will increase or decrease based on the leverage ratio (as defined) of the Company. In addition, borrowings under the revolving loans are limited to an amount equal to 85% of eligible trade receivables (as defined) plus 60% of eligible inventories (as defined). The amended credit agreement matures March 3, 2010 and is secured by a lien on all domestic inventory and accounts receivable of the Company.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under the Credit Agreement, the Company is obligated to pay certain fees including an unused commitment fee of 0.375%, payable quarterly in arrears, and letter of credit fees at a rate equal to the applicable Eurodollar margin per annum, payable quarterly in arrears, plus issuance, fronting, amendment and other standard fees.

The Credit Agreement contains a financial covenant in respect of maintenance of a fixed charge coverage ratio (as defined). The Credit Agreement also limits, among other things, the incurrence of liens and other indebtedness, mergers, consolidations, the sale of assets, annual capital expenditures, advances, investments and loans by the Company and its subsidiaries, dividends and other restricted payments by the Company and its subsidiaries in respect to their capital stock, and certain transactions with affiliates.

Initial Public Offering If the financial restructuring and the initial public offering contemplated by this prospectus are consummated under the terms presently anticipated as described above, the following sets forth the Company s unaudited pro forma capitalization as of December 31, 2004:

	December 31, 2004		
	Actual	Pro Forma	Pro Forma As Adjusted
		(unaudited)	
	(in thousands, except per share data)		
Debt			
Short-term debt	$ 2,320	$ 2,320	$ 2,320
Long-term debt			
Revolver	91,558	91,558	91,558
9 3/4% senior secured notes due June 1, 2012	250,000	250,000	250,000
Industrial development bonds	2,870	2,870	2,870
Variable rate senior notes due June 30, 2013		245,882	
Total long-term debt	344,428	590,310	344,428
Total debt	346,748	592,630	346,748
Stockholders equity (deficit)			
Holding preferred and common stock subject to redemption in certain circumstances		75,494	
Holding series A preferred stock, not subject to redemption		21,217	
Holding series B preferred stock, not subject to redemption		2,316	
Holding common stock		107	
Capital in excess of par value	21,194	78,441	350,511
Reclassification to value		(16,641)	
Preferred stock, $.01 par value; 200 shares authorized and no shares issued, actual and adjusted			

Common stock, $.01 par value; 2,800 shares authorized and 128 shares issued and outstanding, actual; 80,000,000 shares authorized and 43,426,441 shares ($.001 par value) issued and outstanding, as adjusted			
Foreign currency translation adjustment	1,268	1,268	1,268
Additional minimum pension liability	(2,625)	(2,625)	(2,625)
Accumulated deficit	(11,232)	(335,150)	(343,004)
Treasury stock		(65,441)	
Total stockholders equity (deficit)	8,605	(241,014)	6,193
Total capitalization	$ 355,353	$ 351,616	$ 352,941

The pro forma capitalization gives effect to the financial restructuring to account for the transfer of assets and exchange of shares between entities, the Company and Holding, under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, subsequent to the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

completion of the financial restructuring, the financial position and results of operations of Holding will be included in the Company s consolidated financial statements on a historical basis.

The adjustments to effect the financial restructuring (based on shares and values at December 31, 2004), assuming that the public offering price will be $12.00 per share of EMJ common stock (the mid-point of the range described on the cover of this prospectus) and net proceeds of the public offering are $223,800,000 (before taking into account estimated offering expenses payable by us, as set forth under Use of Proceeds in this prospectus) include the following:

Exchange of all issued and outstanding Holding debt and accrued interest thereon totaling $257,069,318 for $185,281,076 in cash and 7,098,143 shares of EMJ common stock.

Exchange of warrants to purchase 2,937,915 shares of Holding common stock for 2,935,467 shares of EMJ common stock, net of the exercise price of $0.01 per share.

Conversion of 11,249,312 issued and outstanding shares (not including 2,089,224 shares held in treasury and retired) of Holding common stock into 11,249,312 shares of EMJ common stock. The difference between the number of shares of Holding common stock converted into EMJ common stock at December 31, 2004 and the number of shares converted at the date of the financial restructuring is attributable to the shares repurchased from former employees who cashed out their stock bonus plan and former employees who exercised put rights pursuant to Holding s stockholders agreement.

Conversion of 59,893 shares of Holding s series A preferred stock (not including 187,654 shares held in treasury and retired) for $546.08 in cash and 22.55 shares of EMJ common stock. The difference between the number of shares of Holding s series A preferred stock at December 31, 2004 and the number of shares at the date of the financial restructuring is attributable to the shares repurchased from former employees who cashed out their stock bonus plan.

Conversion of 28,718 shares of Holding s series B preferred stock (not including 2,300 held in treasury and retired) for $668.66 in cash and 27.61 shares of EMJ common stock. The difference between the number of shares of Holding s series B preferred stock at December 31, 2004 and the number of shares at the date of the financial restructuring is attributable to the shares repurchased from former employees who cashed out their stock bonus plan.

The adjustment to the caption reclassification to value represents the cumulative changes in the market value, based on annual appraisals, related to the shares of Holding s preferred stock and common stock which are converted in the financial restructuring. This will be eliminated as a result of the existing Holding preferred stock and common stock being converted for a combination of cash and EMJ s common stock.

Upon completion of the financial restructuring and the public offering, subject to the assumptions herein, 43,426,441 shares of EMJ common stock will be issued and outstanding.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Additionally, if the financial restructuring and the initial public offering contemplated by this prospectus are consummated under the terms described in this Note 10, the Company s pro forma net income and pro forma earnings per share are as follows:

	Twelve Months Ended March 31, 2004	Nine Months Ended December 31, 2004
	(unaudited)	(unaudited)
	(in thousands, except per share data)	
Net income	$ 15,252,000	$ 52,932,000
Holding interest, net	38,834,000	21,442,000
Preferred dividends	10,628,000	5,818,000
Other	(20,000)	
Pro forma net income (loss) available to common stockholders	$ (34,190,000)	$ 25,672,000
Interest on variable notes	(38,834,000)	(21,442,000)
Preferred dividends	(10,628,000)	(5,818,000)
Pro forma net income available to common stockholders as adjusted	$ 15,272,000	$ 52,932,000
Pro forma net income available to common stockholders per share as adjusted		
Basic	$ 0.64	$ 2.25
Diluted	$ 0.61	$ 2.15
Number of shares used in net income available to common stockholders per share as adjusted		
Basic	23,732,000	23,542,000
Diluted	25,159,000	24,660,000

The total pro forma adjustments to net income are approximately $20 and none for the fiscal year ended March 31, 2004 and the nine months ended December 31, 2004, respectively. The adjustments consist of certain management fees paid by EMJ to Holding that are not eliminated in consolidation. The financial restructuring will be accounted for in a manner similar to a pooling-of-interests because it constitutes a transfer of assets and exchange of shares between entities, EMJ and Holding, under common control. Accordingly, the financial position and results of operations of Holding will be included in EMJ s consolidated financial statements on a historical basis. However, unaudited pro forma net income does not reflect interest expense of Holding in connection with the Holding notes because we will be using a portion of the net proceeds from this offering and shares of our common stock to repay the Holding notes.

Pro forma net income (loss) available to common stockholders per share information reflects EMJ s operations as if the financial restructuring occurred at the beginning of the periods reported. Excluded from net income (loss) available to stockholders are net interest expense for

Holding, dividend accruals for the Holding series A preferred stock and dividends declared and paid in-kind for the Holding series B preferred stock. The pro forma basic as adjusted share information reflects the shares of EMJ common stock issuable upon consummation of the financial restructuring as follows: 7,098,143 shares for the Holding notes; 1,350,576 shares for the Holding series A preferred stock; 792,945 shares for the Holding series B preferred stock; and 2,935,467 shares for the Holding warrants.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Earle M. Jorgensen Holding Company, Inc.

We have audited the accompanying consolidated balance sheets of Earle M. Jorgensen Holding Company, Inc. as of March 31, 2003 and 2004, and the related consolidated statements of operations, consolidated statements of preferred and common stock subject to redemption in certain circumstances, series A preferred stock, series B preferred stock, common stock, capital in excess of par value, stock subscribed, reclassification to value preferred and common stock subject to redemption in certain circumstances to its redemption price, accumulated other comprehensive loss, accumulated deficit and treasury stock and cash flows for each of the three years in the period ended March 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Earle M. Jorgensen Holding Company, Inc. at March 31, 2003 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2004 in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Orange County, California

August 20, 2004

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share and per share data)

	March 31,		December 31,
	2003	2004	2004
			(unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 45,413	$ 15,646	$ 6,133
Accounts receivable, less allowance for doubtful accounts	97,292	133,092	173,871
Inventories	213,590	225,248	281,307
Other current assets	6,402	7,655	8,976
Total current assets	362,697	381,641	470,287
Net property, plant and equipment, at cost	113,037	112,190	117,896
Cash surrender value of life insurance policies	31,007	34,689	31,820
Debt issue costs, net of accumulated amortization	8,232	6,909	5,920
Other assets	1,607	1,762	3,184
Total assets	$ 516,580	$ 537,191	629,107
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 119,815	$ 162,648	$ 158,060
Accrued employee compensation and related taxes	12,592	19,207	17,007
Accrued employee benefits	10,766	12,756	13,052
Accrued interest	25,750	27,607	17,815
Accrued stock bonus plan special contribution			12,601
Other accrued liabilities	6,097	8,678	9,224
Deferred income taxes	19,450	17,517	17,517
Current portion of long-term debt	2,330	3,976	2,320
Total current liabilities	196,800	252,389	247,596
Long-term debt	540,747	531,135	590,310
Deferred income taxes	15,936	17,869	17,869
Other long-term liabilities	8,268	9,093	14,346
Commitments and contingencies			
Stockholders equity:			
Preferred and common stock subject to redemption in certain circumstances, stated at redemption price	68,336	95,525	75,494
Series A preferred stock, $.01 par value, 13% cumulative (liquidation value of $24,755); 600,000 shares authorized; 247,546 shares issued (206,426 and 209,023 shares at stated value not subject to redemption at March 31, 2003 and 2004, respectively)	20,643	20,902	21,217
	12	14	2,316

Series B preferred stock, $.01 par value, variable rate cumulative (liquidation value of $28,747); 100,000 shares authorized; 27,080, and 28,747 shares issued at March 31, 2003 and 2004, respectively (12 and 14 shares at stated value not subject to redemption at March 31, 2003 and 2004, respectively)			
Common stock, $.01 par value; 19,500,000 shares authorized; 13,338,536 shares issued at March 31, 2003 and 2004 (10,355,602 and 10,582,586 shares at $.01 par value not subject to redemption at March 31, 2003 and 2004, respectively)	104	106	107
Capital in excess of par value	74,867	77,188	78,441
Reclassification to value preferred and common stock subject to redemption in certain circumstances to its redemption price	(6,628)	(34,735)	(16,641)
Accumulated other comprehensive (loss) income			
Foreign currency translation adjustment	(485)	(73)	1,268
Additional minimum pension liability	(3,399)	(2,625)	(2,625)
Accumulated deficit	(342,823)	(370,953)	(335,150)
Less treasury stock at cost (181,905 and 184,502 shares of Series A preferred stock; 0 and 0 shares of Series B preferred stock, and; 1,701,693 and 1,933,676 shares of common stock at March 31, 2003 and 2004, respectively)	(55,798)	(58,644)	(65,441)
Total stockholders equity (deficit)	(245,171)	(273,295)	(241,014)
Total liabilities and stockholders equity	$ 516,580	$ 537,191	$ 629,107

See accompanying notes.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands)

	Year Ended March 31,			Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
				(unaudited)	
Revenues	$ 895,058	$ 919,927	$ 1,040,367	$ 718,301	$ 1,152,589
Cost of sales	641,991	658,562	754,266	518,394	828,735
Gross profit	253,067	261,365	286,101	199,907	323,854
Expenses:					
Warehouse and delivery	124,457	127,080	135,421	98,657	116,052
Selling	31,932	32,329	38,254	25,031	34,972
General and administrative	48,295	50,841	42,934	31,261	69,067
Total expenses	204,684	210,250	216,609	154,949	220,091
Income from operations	48,383	51,115	69,492	44,958	103,763
Interest expense, net	72,433	82,486	89,927	63,587	61,976
Income (loss) before income taxes	(24,050)	(31,371)	(20,435)	(18,629)	41,787
Income tax expense	455	1,500	3,127	1,448	3,713
Net income (loss)	$ (24,505)	$ (32,871)	$ (23,562)	$ (20,077)	$ 38,074

See accompanying notes.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

Consolidated Statements of Preferred and Common Stock Subject to Redemption in Certain Circumstances, Series A Preferred Stock, Series B Preferred Stock, Common Stock, Capital in Excess of Par Value, Stock Subscribed, Reclassification to Value Preferred and Common Stock Subject to Redemption in Certain Circumstances to its Redemption Price, Accumulated Other Comprehensive (Loss)/Income, Accumulated Deficit and Treasury Stock

(dollars in thousands)

	Preferred and common stock subject to redemption in certain circumstances	Series A preferred stock	Series B preferred stock	Common stock	Capital in excess of par value	Stock subscribed	Reclassification to value preferred and common stock subject to redemption in certain circumstances to redemption price	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Treasury Stock	Total
Balance at March 31, 2001	$ 85,479	$ 19,016	$ 9	$ 92	$ 63,553	$ 3	$ (10,833)	$ (1,833)	$ (276,660)	$ (39,018)	$ (160,192)
Comprehensive loss:											
Net loss									(24,505)		(24,505)
Foreign currency translation adjustment								(133)			(133)
Minimum pension liability								32			32
Comprehensive loss											(24,606)
Adjustment to shares of common stock subscribed under stock bonus plan					3	(3)					
Stock dividend on Series B 4,405 shares	4,405		(4,405)						(4,405)	4,405	
Loss on interest rate swap agreement								(2,925)			(2,925)
Repurchase of stock for treasury	(14,963)	996	5,402	9	6,525		2,029			(14,963)	(14,965)
Reclassification to value preferred and common stock subject to redemption in certain circumstances to its redemption value	859				2,025		(2,886)				(2)
Balance at March 31, 2002	75,780	20,012	1,006	101	72,106		(11,690)	(4,859)	(305,570)	(49,576)	(202,690)
Comprehensive loss:											
Net loss									(32,871)		(32,871)
Foreign currency translation adjustment								1,200			1,200
Minimum pension liability								(3,150)			(3,150)

Comprehensive loss										(34,821)
Stock dividend on Series B 4,382 shares	4,382		(4,382)					(4,382)	4,382	
Issuance of Series B 17 shares			17						(17)	
Reversal of loss on interest rate swap agreement recognized in net loss							2,925			2,925
Repurchase of stock for treasury	(10,587)	631	3,371	3	2,741	3,843			(10,587)	(10,585)
Reclassification to value preferred and common stock subject to redemption in certain circumstances to its redemption value	(1,239)				20	1,219				

See accompanying notes.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

Consolidated Statements of Preferred and Common Stock Subject to Redemption in Certain Circumstances, Series A Preferred Stock, Series B Preferred Stock, Common Stock, Capital in Excess of Par Value, Stock Subscribed, Reclassification to Value Preferred and Common Stock Subject to Redemption in Certain Circumstances to its Redemption Price, Accumulated Other Comprehensive (Loss)/Income, Accumulated Deficit and Treasury Stock (continued)

(dollars in thousands)

	Preferred and common stock subject to redemption in certain circumstances	Series A preferred stock	Series B preferred stock	Common stock	Capital in excess of par value	Stock subscribed	Reclassification to value preferred and common stock subject to redemption in certain circumstances to its redemption price	Accumulated Other Comprehensive (Loss)/Income	Accumulated Deficit	Treasury Stock	Total
Balance at March 31, 2003	68,336	20,643	12	104	74,867		(6,628)	(3,884)	(342,823)	(55,798)	(245,171)
Comprehensive loss:											
Net loss									(23,562)		(23,562)
Foreign currency translation adjustment								412			412
Minimum pension liability								774			774
Comprehensive loss											(22,376)
Stock dividend on Series B 4,568 shares including the issuance of 1,667 shares			1,667						(4,568)	2,901	
Reclassification of stock dividend on Series B for shares subject to redemption	4,566		(4,566)								
Issuance of Series A for management 2 shares	1						(1)			1	1
Issuance of Series B for	3		(3)							3	3

management 3 shares											
Issuance of common stock 5,585 shares	31				(58)		26			31	30
Repurchase of stock for treasury	(5,754)	259	2,904	2	2,379		210			(5,782)	(5,782)
Reclassification to value preferred and common stock subject to redemption in certain circumstances to its redemption value	28,342						(28,342)				
Balance at March 31, 2004	95,525	20,902	14	106	77,188		(34,735)	(2,698)	(370,953)	(58,644)	(273,295)
Comprehensive income:											
Net income									38,074		38,074
Foreign currency translation adjustment								1,341			1,341
Comprehensive income											39,415
Stock dividend on Series B 2,271 shares issued			2,271						(2,271)		
Issuance of Series A for management 1 share	1						(1)			1	1
Issuance of Series B for management 2 shares	2		(2)							2	2
Issuance of common stock 17 shares	1				(1)					1	1
Repurchase of stock for treasury	(6,805)	315	2,302	1	1,591		2,596			(6,801)	(6,801)
Exercise of stock options, net tax effect					(1,894)						(1,894)
Stock-based compensation					1,557						1,557
Reclassification of stock dividend on Series B shares subject to redemption	2,269		(2,269)								
Reclassification to value common stock subject to redemption to certain	(15,499)						15,499				

circumstances to its redemption value											
Balance at December 31, 2004 (unaudited)	75,494	21,217	2,316	107	78,441		(16,641)	(1,357)	(335,150)	(65,441)	(241,014)

See accompanying notes.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Year Ended March 31,			Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
Operating activities:					
Net income (loss)	$ (24,505)	$ (32,871)	$ (23,562)	$ (20,077)	$ 38,074
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:					
Special contribution to stock bonus plan					17,327
Loss on early retirement of debt		12,278			
Depreciation and amortization	11,449	11,369	11,284	8,488	8,780
Amortization and write-off of debt issue costs included in interest expense	1,792	1,416	1,323	992	989
Accrued postretirement benefits	249	498	619	563	611
Gain on sale of property, plant and equipment	(36)	(183)	(1,335)	(1,194)	(1,452)
Stock-based compensation					1,557
Provision for bad debts	2,434	2,649	2,880	2,338	2,153
Increase in cash surrender value of life insurance over premiums paid	(2,174)	(2,242)	(5,276)	929	4,016
Interest paid in kind on senior subordinated note principal	28,601	34,059	38,223	19,235	20,509
Changes in operating assets and liabilities:					
Decrease (increase) in accounts receivable	15,510	(10,662)	(38,680)	(10,568)	(42,932)
Decrease (increase) in inventories	31,712	(26,722)	(11,658)	(13,952)	(56,059)
Decrease (increase) in other current assets	1,012	134	(1,932)	(904)	(1,321)
(Decrease) increase in accounts payable and accrued liabilities and expenses	(52,163)	42,090	55,912	(14,666)	(15,738)
Decrease (increase) in non-trade receivables	1,681	(1,637)	679	(425)	
Other	(967)	1,109	1,144	2,056	793
Net cash provided by (used in) operating activities	14,595	31,285	29,621	(27,185)	(22,693)
Investing activities:					
Additions to property, plant and equipment	(24,531)	(15,335)	(10,530)	(6,781)	(19,606)
Proceeds from the sale of property, plant and equipment	116	2,440	1,535	1,388	6,714
Premiums paid on life insurance policies	(1,461)	(1,335)	(1,298)	(1,198)	(1,271)
Proceeds from redemption of life insurance policies	1,124	195	2,892	2,300	124
Net cash used in investing activities	(24,752)	(14,035)	(7,401)	(4,291)	(14,039)
Financing activities:					
Net borrowings (payments) under revolving loan agreements	25,111	(9,958)	(19,399)	25,000	39,125
Repayment of senior subordinated notes			(25,390)	(25,390)	
Proceeds from issuance of senior notes		250,000			
Repayment of term loan		(96,000)			
Repayment of senior notes		(105,000)			

Payment of debt issue costs		(10,669)			
Other costs paid in connection with early retirement of debt		(9,596)			
Other debt payments, net	(2,400)	(1,400)	(1,400)	(1,400)	(2,115)
Purchase of stock, net	(14,963)	(10,587)	(5,781)	(4,762)	(9,866)
Net cash provided by (used in) financing activities	7,748	6,790	(51,970)	(6,552)	27,144
Effect of exchange rate changes on cash	2	1	(17)	28	75
Net increase (decrease) in cash and cash equivalents	(2,407)	24,041	(29,767)	(38,000)	(9,513)
Cash and cash equivalents at beginning of period	23,779	21,372	45,413	45,413	15,646
Cash and cash equivalents at end of period	$ 21,372	$ 45,413	$ 15,646	$ 7,413	$ 6,133

See accompanying notes.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information as of December 31, 2004 and for the nine months ended January 1, 2004 and December 31, 2004 is unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation The accompanying consolidated financial statements include the accounts of Earle M. Jorgensen Holding Company, Inc. (the Company or Holding) and its wholly-owned subsidiary Earle M. Jorgensen Company (EMJ), and EMJ s subsidiaries, Earle M. Jorgensen (Canada) Inc. (EMJ (Canada)) and Stainless Insurance Ltd., a captive insurance subsidiary (EMJ (Bermuda)). In fiscal years 2002, 2003, 2004 and the nine months ended January 1, 2004 and December 31, 2004, EMJ (Canada) generated net income (loss) of $(325,000), $1,153,000, $3,282,000, $2,104,000 and $6,496,000, respectively. In fiscal years 2002, 2003 and 2004 and the nine months ended January 1, 2004 and December 31, 2004, EMJ (Bermuda) generated net income (loss) of $(2,056,000), $540,000, $(609,000), $(39,000) and $(27,000), respectively, including investment income and intercompany fees. The loss in fiscal years 2002 and 2004 and the first nine months of fiscal years 2004 and 2005 was attributable to higher loss reserves established in connection with the Company s self-insured workers compensation program. All significant intercompany accounts and transactions have been eliminated.

Company Background and Segment Information EMJ distributes a broad line of bar, tubular, plate and various other metal products and value added services through a network of 35 service centers and processing operations strategically located throughout North America. Metals products sold by EMJ are purchased from various primary metal producers and suppliers, none of which provided more than 10% of EMJ s total purchases in fiscal year 2004. EMJ has over 35,000 customers, none of which represented more than 2% of EMJ s gross revenues in fiscal year 2004.

For financial reporting purposes, EMJ operates in one reportable segment the metals service center industry as determined in accordance with SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*.

Reclassification Certain amounts reported in prior years have been reclassified to conform to the 2004 presentation.

Use of Estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Actual results could differ significantly from those estimates and judgments under different assumptions and conditions.

Interim Financial Information (Unaudited) The accompanying consolidated financial statements at December 31, 2004 and for the nine months ended January 1, 2004 and December 31, 2004 are unaudited. In the opinion of management, these consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements included herein and include all adjustments, consisting of only

normal recurring adjustments, necessary for the fair statement of results of the interim period.

Revenue Recognition EMJ recognizes revenue associated with a sales order when product is shipped, title is passed and collectibility is reasonably assured.

Shipping and Handling Costs Costs incurred in connection with shipping and handling EMJ s products are classified as warehouse and delivery expenses in the accompanying statements of operations.

Accounts Receivable and Concentration of Credit Risk EMJ sells the majority of its products throughout the United States and Canada. Sales to EMJ s recurring customers are generally made on open account terms

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

while sales to occasional customers are made on a C.O.D. basis when collectibility is not assured. EMJ performs periodic credit evaluations of its ongoing customers and generally does not require collateral. EMJ establishes an allowance for potential credit losses based upon factors surrounding the credit risk for specific customers, historical trends and other information; such losses have been within management s expectations, and were higher in fiscal year 2004 when compared to fiscal years 2002 and 2003. EMJ s allowance for doubtful accounts at March 31, 2003 and 2004 and at December 31, 2004, was $390,000, $601,000 and $1,868,000, respectively. Management believes there are no significant concentrations of credit risk as of March 31, 2004 and December 31, 2004.

Property, Plant and Equipment Property, plant and equipment is recorded at cost. Additions, renewals and betterments are capitalized; maintenance and repairs, which do not extend useful lives, are expensed as incurred. Gains or losses from disposals are reflected in income and the related costs and accumulated depreciation are removed from the accounts. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of 10 to 40 years for buildings and improvements and three to 20 years for machinery and equipment. Leasehold improvements are amortized over the terms of the respective leases. Depreciation expense was $9,787,000, $9,703,000 and $7,594,000 in fiscal 2003 and 2004 and the nine months ended December 31, 2004, respectively.

EMJ capitalizes certain costs incurred during the development of software used internally and amortizes such costs over their estimated useful lives. During fiscal years 2002, 2003, 2004 and for the nine months ended December 31, 2004 such costs totaling $414,000, $220,000, $274,000 and $141,000, respectively, were capitalized.

Long-lived assets, primarily land, buildings, leasehold improvements and certain equipment, used in operations or which are expected to be disposed of are reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. Factors used in the evaluation include, but are not limited to, future plans for the operations, recent operating results and forecasted cash flows. When indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying value of the assets, the assets are written down and an impairment loss is recognized. There were no impairment losses recorded in fiscal years 2002, 2003, 2004 and the first nine months ended December 31, 2004.

Debt Issue Costs Debt issue costs are deferred and amortized to interest expense over the life of the underlying indebtedness. For the fiscal years ended March 31, 2002, 2003 and 2004, amortization of debt issue costs were $1,792,000, $1,416,000 and $1,323,000, respectively. Accumulated amortization of debt issue costs was $1,263,000 and $2,586,000 at March 31, 2003 and 2004, respectively.

Stock-Based Compensation During December 2004, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation* using the modified-prospective transition method, for all employee awards granted, modified or settled after April 1, 2004, as permitted by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure- An Amendment of FASB Statement No. 123*. In accordance with SFAS No. 123, the Company estimated the fair value of options using an option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, and the expected life of the options. The Company s common stock is not currently traded on a national securities exchange or an over-the-counter market, and therefore an effectively zero percent volatility was used. The dividend yield is excluded from the calculation, as it

is the Company s intention to retain all future earnings. All stock options had fully vested prior to the adoption of SFAS No. 123.

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EARLE M. JORGENSEN HOLDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Until the adoption of SFAS No. 123 in December 2004, stock options granted to directors, officers and other key employees of the Company under the stock option plan adopted in January 1997 were accounted for in accordance with APB No. 25. As all stock option grants were made at fair value on the date of grant, no compensation cost has been recognized by the Company for the fiscal years ended March 31, 2001, 2002 and 2003. Had compensation expense for stock options granted been recorded based on the fair value method under SFAS No. 123, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*, the effect on the Company s net income for fiscal years 2002, 2003 and 2004 and the nine months ended January 1, 2004 and December 31, 2004 would have been as follows:

	Year Ended March 31,			Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
				(unaudited)	
Net income (loss), as reported	$ (24,505,000)	$ (32,871,000)	$ (23,562,000)	$ (20,077,000)	$ 38,074,000
Deduct: total stock-based compensation expense determined using fair value method for all awards, net of tax	(209,000)	(138,000)	(74,000)	(62,000)	
Net income (loss), as adjusted	$ (24,714,000)	$ (33,009,000)	$ (23,636,000)	$ (20,139,000)	$ 38,074,000

Subsequent to the adoption of SFAS No. 123, the Company modified, as defined in SFAS No. 123, the terms of its outstanding stock options by adjusting the number of shares that can be purchased pursuant to each option and the exercise price per share to offset the reduction in the appraised value of the Holding common stock resulting from the change in valuation methodology required by the amended consent order for Holding s stock bonus plan (see Note 12). As a result of this change, options to purchase 1,731,000 shares of common stock at a weighted average exercise price of $5.92 per share were converted into options to purchase 3,053,668 shares of Holding s common stock at a weighted average exercise price of $3.35 per share. In accordance with SFAS No. 123, which provides that modifications made to the outstanding options require a stock compensation charge for the difference between the intrinsic value of the outstanding stock options before the modifications and the fair value of the stock options after the modifications to the outstanding stock options, the Company recorded a stock compensation charge of $1,557,000 during the three months ended December 31, 2004. In connection with the financial restructuring (see Note 12), all of the issued and outstanding options to purchase shares of Holding common stock will be converted into options to purchase an equal number of shares of the Company s common stock at the same exercise price.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Income Taxes The Company includes EMJ in its consolidated tax returns and calculates its tax provision as though it files on a separate basis. The consolidated tax liability of the Company and EMJ is allocated to each of these entities pursuant to a Tax Allocation Agreement between the Company and EMJ (Tax Allocation Agreement). Under the Tax Allocation Agreement, the Company pays all taxes and is reimbursed by EMJ for the lesser of (i) EMJ s allocated portion of taxes due, or (ii) the tax that would be payable if EMJ filed its own returns.

The Company records deferred taxes based upon differences between the financial statement and tax basis of assets and liabilities pursuant to SFAS No. 109, *Accounting for Income Taxes*, as though it files on a separate basis. Any differences in deferred taxes determined on a separate basis and the actual payments made or received under the Tax Allocation Agreement are accounted for as an equity adjustment between the Company and EMJ. There were no such differences in fiscal year 2004. Deferred taxes are also recorded for the future benefit of Federal and state tax losses and tax credit carryforwards. Consistent with SFAS No. 109, a valuation allowance has been recognized for certain deferred tax assets, which management believes are not likely to be realized (see Note 6).

Foreign Currency Translation The financial statements of foreign subsidiaries are translated into U.S. dollars in accordance with SFAS No. 52, *Foreign Currency Translation*. Balance sheet accounts are translated using the period-end exchange rates while income statement amounts are translated using the average exchange rates for each year. Adjustments resulting from translation of foreign currency financial statements are included in accumulated other comprehensive loss in stockholders equity. No significant exchange gains and losses were recorded during fiscal 2002, 2003 and 2004.

Cash and Statements of Cash Flows Cash includes disbursements and deposits not yet funded by or applied to EMJ s Revolving Credit Facility as of a balance sheet date and cash and cash equivalents totaling $2,940,000 and $2,004,000 as of March 31, 2003 and 2004, respectively, held by EMJ (Bermuda) in connection with providing insurance to EMJ. EMJ considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

For the years ended March 31, 2002, 2003 and 2004 cash paid for interest on borrowings was $39,942,000, $37,674,000, and $48,623,000 and net cash paid (refunded) for income taxes was $403,000, $(551,000) and $671,000, respectively.

Comprehensive Income Components of EMJ s comprehensive income include foreign currency translation adjustments, additional minimum pension liability and accounting for certain derivatives.

Impact of Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Statements (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123(R)). SFAS No. 123(R), which replaces SFAS No. 123, *Accounting for Stock-Based Compensation*, supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* and amends SFAS No. 95, *Statement of Cash Flows*. Generally, the approach in Statement 123(R) is similar to the approach described in SFAS No. 123, which the Company adopted in December 2004. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values (i.e., pro forma disclosure is no longer an alternative to financial statement recognition). SFAS No. 123(R) is effective for public companies at the beginning of the first interim or annual period beginning after June 15, 2005. Nonpublic companies will be required to adopt SFAS No. 123(R) at the beginning of the first annual

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

period beginning after December 15, 2005. The adoption of this revision to SFAS No. 123 is not expected to have a material impact on the consolidated financial statements.

In December 2003, FASB issued SFAS No. 132 (revised December 2003), *Employers Disclosures about Pensions and Other Postretirement Benefits* (SFAS No. 132(R)). This statement amends the disclosure requirements of SFAS No. 132 to require more details about retirement plan assets, benefit obligations, cash flows and other relevant information. SFAS No. 132(R) is effective for years ending after December 15, 2003, except certain benefit payment and international plan disclosures that are effective for fiscal years after June 15, 2004. The adoption of the disclosure provisions of SFAS No. 132(R) did not have a material effect on the Company s consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equities. The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003. This statement did not have an effect on the accompanying consolidated condensed financial statements as of and for the periods ending March 31, 2004 and December 31, 2004.

In April 2003, FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Transaction*, which amends and clarifies financial accounting and reporting for derivative instruments, including those embedded in other contracts, and for hedging activities under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The provisions of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003. As of March 31, 2004 and December 31, 2004, the Company had no such instruments.

In December 2003, the FASB issued FASB Interpretation No. 46 (revised), *Consolidation of Variable Interest Entities* (FIN No. 46(R)). FIN No. 46(R) provides the principles to consider in determining when variable interest entities must be consolidated in the financial statements of the primary beneficiary. In general, a variable interest entity used for business purposes that either (1) does not have equity investors with voting rights or (2) has equity investors that are not required to provide sufficient financial resources for the entity to support its activities without additional subordinated financial support. FIN No. 46(R) requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or entitled to receive a majority of the entity s residual returns or both. This statement did not have an effect on the accompanying consolidated financial statements as of and for the periods ended March 31, 2004 and December 31, 2004.

2. Inventories

Substantially all inventories are held for sale at EMJ s service center locations and are valued at the lower of cost (using the last-in, first-out (LIFO) method) or market. If the Company had used the first-in, first-out (FIFO) method of inventory valuation, inventories would have been lower by $11,786,000 at March 31, 2003 and higher by $2,557,000 and $45,062,000 at March 31, 2004 and December 31, 2004, respectively.

Any reduction of inventory quantities that liquidates LIFO inventories carried at costs lower or higher than costs prevailing in prior years may have a significant effect on EMJ s gross profit. Such a reduction and liquidation occurred during fiscal year 2002 and fiscal year 2004 but did not have a significant effect on gross profit. There were no such reductions in fiscal year 2003.

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3. Net Property, Plant and Equipment

Property, plant and equipment (including in-process costs for assets not yet placed in service) and accumulated depreciation at March 31, 2003 and 2004 and December 31, 2004 consisted of the following:

	March 31, 2003	March 31, 2004	December 31, 2004
			(unaudited)
Land	$ 19,558,000	$ 19,329,000	$ 18,476,000
Buildings and leasehold improvements	55,725,000	57,274,000	59,479,000
Machinery and equipment	129,120,000	131,539,000	125,156,000
In-process costs	6,807,000	1,921,000	4,069,000
	211,210,000	210,063,000	207,180,000
Less accumulated depreciation	98,173,000	97,873,000	89,284,000
Net property, plant and equipment	$ 113,037,000	$ 112,190,000	$ 117,896,000

The in-process costs at March 31, 2004 and December 31, 2004 are primarily attributable to progress payments made on equipment for EMJ s tube honing facility in Tulsa, Oklahoma and building renovation in EMJ s Tulsa, Oklahoma service center. December 31, 2004 in-process costs also include costs associated with renovation of the Company s replacement facility in Houston, Texas, expansion of EMJ s Wrightsville, Pennsylvania facility and the new construction of EMJ s building in Birmingham, Alabama. As of March 31, 2004 and December 31, 2004 such costs include $1,300,000 and $9,038,000, respectively. Estimated remaining costs to be incurred in connection with these projects totaled $800,000 at March 31, 2004 and at December 31, 2004 these projects were essentially completed.

4. Cash Surrender Value of Life Insurance

EMJ is the owner and beneficiary of life insurance policies on all former nonunion employees of a predecessor company including certain current employees of EMJ. EMJ is also the owner and beneficiary of key man life insurance policies on certain current and former executives of EMJ and predecessor companies. These policies are designed to provide cash to EMJ to repurchase shares held by employees in the Plan and shares held individually by employees upon the termination of their employment. Cash surrender value of the life insurance policies increases by a portion of the amount of premiums paid and by dividend income earned under the policies. Dividend income earned under the policies totaled $13,521,000, $17,156,000, $17,751,000, $12,411,000 and $15,381,000 in fiscal years 2002, 2003, 2004 and the nine months ended January 1, 2004 and December 31, 2004, respectively, and is recorded as an offset to general and administrative expense in the accompanying statements of operations.

EMJ has borrowed against the cash surrender value of certain policies to pay a portion of the premiums and accrued interest on those policies and to fund working capital needs. Interest rates on borrowings under the life insurance policies are fixed at 11.76%. As of March 31, 2004 and December 31, 2004, approximately $10,295,000 and $3,538,000, respectively, was available for future borrowings. The following table provides the cash surrender value and the loans outstanding at March 31, 2003 and 2004.

	Cash Surrender value before loans	Loans Outstanding	Net cash surrender value
Balance at March 31, 2003	$ 195,976,000	$ 164,969,000	$ 31,007,000
Balance at March 31, 2004	217,320,000	182,631,000	34,689,000

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Interest on cash surrender value borrowings totaled $15,996,000, $17,796,000, $20,082,000, $15,055,000 and $16,747,000 in fiscal years 2002, 2003, 2004 and the nine months ended January 1, 2004 and December 31, 2004, respectively, and is included in net interest expense in the accompanying statements of operations.

5. Long-Term Debt

Long-term debt at March 31, 2003 and 2004 and December 31, 2004 consisted of the following:

	March 31, 2003	March 31, 2004	December 31, 2004
			(unaudited)
Revolving Loans (including $1,195,000, $1,861,000 and $1,105,000 at March 31, 2003 and 2004 and December 31, 2004, respectively, related to a Canadian facility)	$ 72,937,000	$ 53,538,000	$ 92,663,000
9 3/4% Senior Secured Notes due June 1, 2012	250,000,000	250,000,000	250,000,000
Variable Rate Senior Notes due June 30, 2013	212,540,000	225,373,000	245,882,000
Industrial Development Revenue Bonds:			
Payable in annual installments of $500,000 commencing June 1, 1998, interest at 9%	1,500,000	1,000,000	500,000
Payable in annual installments of $715,000 commencing December 1, 2004, interest at 5.25%	4,300,000	4,300,000	3,585,000
Payable in annual installments of $900,000 commencing September 1, 2000, interest at 8.5%	1,800,000	900,000	
	543,077,000	535,111,000	592,630,000
Less current portion	2,330,000	3,976,000	2,320,000
	$ 540,747,000	$ 531,135,000	$ 590,310,000

Aggregate maturities of long-term debt are as follows: $3,976,000 in fiscal year 2005; $1,215,000 in fiscal year 2006; $52,392,000 in fiscal year 2007, $715,000 in fiscal year 2008, $715,000 in 2009 and $476,098,000 thereafter.

The fair value of the 9 3/4% Senior Secured Notes at March 31, 2004 was $280,000,000 based on the quoted market prices as of that date. The carrying values of all other long-term debt and other financial instruments at March 31, 2004 approximate fair value.

On May 22, 2002, EMJ completed the issuance and sale of 9 3/4% senior secured notes due 2012 totaling $250,000,000, the proceeds from which were used to (i) redeem $105 million in aggregate principal amount of the outstanding 9 1/2% senior secured notes, plus call premium and accrued interest, (ii) prepay $96 million of the term loan plus accrued interest, (iii) terminate the interest rate swap agreement. As a result of this refinancing transaction, EMJ recorded a loss of $12,278,000 related to the early retirement of debt, consisting of the call premium paid, a payment to terminate the interest rate swap agreement, the write-off of deferred financing costs, and certain other expenses incurred in connection with the refinancing transaction. No tax benefit was recorded in connection with this loss due to the uncertainty in realizing the resulting deferred tax asset.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Credit Agreements

EMJ s revolving credit facility (Credit Agreement), allows maximum borrowings of $200 million, including letters of credit ($8,560,000 outstanding at March 31, 2004 and $9,429,000 outstanding at December 31, 2004). Borrowings under the Credit Agreement bear interest at a base rate (generally defined as the greater of the bank s prime lending rate or 0.5% over the Federal Funds Rate) plus 1.25% or the adjusted Eurodollar rate plus 2.50%. At March 31, 2004, the bank s prime lending rate was 4.00% and the Eurodollar rate was 1.09%. In addition, borrowings under the revolving loans are limited to an amount equal to 85% of eligible trade receivables (as defined) plus 55% of eligible inventories (as defined). Unused available borrowings under the revolving loans totaled $139,763,000 at March 31, 2004 and $99,013,000 at December 31, 2004. The Credit Agreement matures on April 7, 2006 and is secured by a lien on all domestic inventory and accounts receivable of EMJ.

Under the Credit Agreement, EMJ is obligated to pay certain fees including an unused commitment fee of 0.5%, payable quarterly in arrears, and letter of credit fees of 2.50% per annum of the maximum amount available to be drawn under each letter of credit, payable quarterly in arrears, plus issuance, fronting, amendment and other standard fees. EMJ paid loan commitment fees totaling $480,000, $584,000, $447,000, $303,000 and $339,000, respectively, in fiscal years 2002, 2003, 2004 and for the nine months ended January 1, 2004 and December 31, 2004.

The Credit Agreement contains financial covenants in respect of maintenance of minimum working capital and a fixed charge coverage ratio (as defined). The Credit Agreement also limits, among other things, the incurrence of liens and other indebtedness, mergers, consolidations, the sale of assets, annual capital expenditures, advances, investments and loans by EMJ and its subsidiaries, dividends and other restricted payments by EMJ and its subsidiaries in respect to their capital stock, and certain transactions with affiliates.

EMJ s Canadian subsidiary maintains a one year renewable credit facility (the Canadian Facility) totaling C$9,000,000 including (i) a revolving credit facility of C$5,500,000, (ii) a term financial instruments facility of C$3,000,000 for hedging foreign currency and rate fluctuations (unused as of March 31, 2004), and (iii) a special credit facility for the issuance of a letter of guarantee up to C$500,000 in connection with the lease for the Toronto facility. Borrowings under the revolving credit facility are limited to an amount equal to 80% of eligible trade receivables (as defined) plus 40% of eligible inventories (as defined, and limited to C$1,500,000), are repayable on demand, and bear interest at the bank s annual prime lending rate plus 0.50%. At March 31, 2004, the interest rate on the revolving credit facility was 4.50%. The revolving credit facility contains financial covenants in respect of maintenance of minimum equity and a debt-to-equity ratio (as defined) and has other restrictions similar to those under the amended Credit Agreement, as described above.

Senior Secured Notes

On May 22, 2002, EMJ refinanced its 9 1/2% senior notes and variable rate term loan by issuing $250 million of 9 3/4% Senior Secured Notes due June 2012. The 9 3/4% Senior Secured Notes were issued at par and interest payments are made semi-annually on June 1 and December 1,

commencing on December 1, 2002. The 9 3/4% Senior Secured Notes are secured by a first-priority lien (subject to permitted liens) on substantially all of EMJ s existing and future acquired unencumbered property, plant and equipment and may be redeemed by EMJ under certain conditions and with certain restrictions at varying redemption prices. The Indenture to the 9 3/4% Senior Secured Notes contains certain covenants which limit, among other things, the incurrence of liens and other indebtedness, mergers, consolidations, the sale of assets, investments and loans, dividends and other distributions, and certain transactions with affiliates.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Variable Rate Senior Notes

In fiscal 1993, the Company and EMJ entered into an agreement with Kelso Investment Associates IV, LP (KIA IV), wherein KIA IV agreed to surrender $55 million of subordinated notes issued by EMJ in fiscal 1991 in exchange for $55 million in principal amount of variable rate senior notes due March 20, 2001 (Old Notes) issued by the Company and warrants entitling KIA IV to purchase up to 10% of the common stock of the Company on a fully diluted basis at an exercise price of $.01 per share, exercisable immediately. On March 24, 1998, an amendment to the agreement between the Company and KIA IV was consummated, whereby the Old Notes, including interest paid in kind, were exchanged for two variable rate senior notes totaling $92,181,000 (Notes). The Notes are due on June 30, 2013 and bear interest at a variable rate ranging from 18% to 20% (18% as of March 31, 2004). The Notes are structurally subordinated to the indebtedness of EMJ and payments of principal and interest on the Notes is dependent on the ability of EMJ to make dividends to the Company, which ability is restricted by covenants contained in the Credit Agreement and the indenture governing the Senior Secured Notes. The Company pledged all of the outstanding common stock of EMJ as collateral securing the repayment of the Notes.

Derivative Instrument

In June 1998, EMJ entered into an interest rate swap agreement with Deutsche Bank Trust Company Americas (DBTCA) that effectively fixed the interest rate on the variable rate term loan at approximately 9.05% through June 2003 (the Fixed Rate). Such agreement required DBTCA to make payments to EMJ each quarter in an amount equal to the product of the notional amount of $95 million and the difference between the three month London Interbank Offered Rate and 3.25% (Floating LIBOR) and the Fixed Rate, if the Floating LIBOR was greater than the Fixed Rate on a per diem basis. If Floating LIBOR was lower than the Fixed Rate, EMJ was required to pay DBTCA an amount equal to the product of the notional amount and the difference between the Fixed Rate and Floating LIBOR on a per diem basis. Under the provisions described above, net payments (receipts) in fiscal years 2001 and 2002 were $(721,000) and $2,248,000, respectively. Because the interest rate swap agreement was terminated in May 2002 in connection with the prepayment of EMJ s term loan resulting from the issuance and sale of the 9¾% senior secured notes described above, no quarterly settlements were required in fiscal year 2003.

The interest rate swap agreement was considered a highly effective cash flow hedge under the provisions of SFAS No. 133, as amended, which was adopted by EMJ effective April 1, 2001. Under SFAS No. 133, the effective portion of gain or loss resulting from changes in the fair value of the interest rate swap agreement is reported in other comprehensive income while the ineffective portion is recognized in net income. For the year ended March 31, 2002, a loss of $2,925,000 was recognized in other comprehensive income and a loss of $100,000 was recognized in net income. As of March 31, 2002, the interest rate swap agreement represented a long-term liability with a fair market value of $3,025,000, as calculated under the provisions of SFAS No. 133. In connection with the issuance and sale of the 9 3/4% senior secured notes, EMJ paid $3,025,000 to terminate the interest rate swap agreement, which was recognized as part of the loss of $12,278,000 related to the early retirement of debt.

Other

EMJ s industrial revenue development bonds were issued in connection with significant facility improvements or construction projects.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Income Taxes

Significant components of the provision for income taxes attributable to continuing operations for the years ended March 31, 2001, 2002 and 2003 were as follows:

	2002	2003	2004
Current:			
Federal	$ (49,000)	$ 435,000	$
State	492,000	492,000	1,458,000
Foreign	12,000	573,000	1,669,000
Total current	455,000	1,500,000	3,127,000
Deferred:			
Federal	(8,957,000)	(998,000)	(10,267,000)
State	(1,067,000)	(623,000)	(733,000)
Valuation allowances	10,024,000	1,621,000	11,000,000
Total deferred			
	$ 455,000	$ 1,500,000	$ 3,127,000

The reconciliation of the income tax provision differs from that which would result from applying the U.S. statutory rate for the years ended March 31, 2002, 2003 and 2004 were as follows:

	2002	2003	2004
Expected tax (benefit) at Federal statutory rate	$ (8,426,000)	$ (6,683,000)	$ (7,152,000)
State franchise tax expense and capital taxes, net of Federal taxes	320,000	320,000	947,000
Disallowed applicable high yield debt interest expense	4,136,000	4,925,000	5,385,000
Expiration of capital loss carryforward		5,618,000	
Net increase in cash surrender values of life insurance	(4,732,000)	(6,005,000)	(6,213,000)
Change in valuation allowance	10,024,000	1,621,000	11,000,000
Other	(867,000)	1,704,000	(840,000)

Income tax provision	$ 455,000	$ 1,500,000	$ 3,127,000

The change of $11,000,000 in the valuation allowance for deferred tax assets as of March 31, 2004 was due to the generation of a current year tax loss, offset by the expiration of a capital loss carryforward in fiscal year 2004.

Income before taxes consists primarily of income from EMJ s domestic operations. For fiscal years 2002, 2003 and 2004, the Company s foreign operations, including the captive insurance subsidiary, generated pre-tax income (loss) of $(2,369,000), $2,267,000 and $4,342,000, respectively.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Significant components of the Company s deferred income tax assets and liabilities at March 31, 2003 and 2004 were as follows:

	2003	2004
Deferred tax liabilities:		
Tax over book depreciation	$ 7,342,000	$ 8,889,000
Purchase price adjustments	35,846,000	35,210,000
Total deferred tax liabilities	43,188,000	44,099,000
Deferred tax assets:		
Applicable high yield debt interest	36,690,000	39,678,000
Net operating loss and credit carryforwards	22,860,000	31,625,000
Workers compensation and other insurance accruals	4,278,000	3,438,000
Inventory and related reserves	4,105,000	5,024,000
Other	1,096,000	1,175,000
Valuation allowance for deferred tax assets	(61,227,000)	(72,227,000)
Net deferred tax assets	7,802,000	8,713,000
Net deferred tax liabilities	$ 35,386,000	$ 35,386,000

At March 31, 2004, EMJ had net operating loss carryforwards of $79,167,000 for Federal income tax purposes and $29,870,000 for State income tax purposes. The Federal carryforwards resulted from EMJ s losses during 1993, 1996, 2002 and 2003, and expire in years 2008, 2011, 2022 and 2023, respectively, while the State carryforwards were generated in various states over various years. The ultimate realization of the benefits of these loss carryforwards is dependent on future profitable operations. In addition, use of EMJ s net operating loss carryforwards and other tax attributes may be substantially limited if a cumulative change in ownership of more than 50% occurs within any three year period subsequent to a loss year. At March 31, 2004, EMJ had an alternative minimum tax carryforward of approximately $2,116,000 which can be utilized over an indefinite period of time.

On September 11, 2002, new tax laws were enacted in California that suspend the use of net operating tax carryforwards into years beginning on or after January 1, 2002 and 2003. Accordingly, net operating losses generated in California in prior tax years cannot be used to offset EMJ s taxable income for the years ending March 31, 2003 and 2004. This suspension will not apply to tax years beginning on or after January 1, 2004 and did not have material impact on EMJ s results of operations for the year ended March 31, 2004.

The Company has not provided for taxes on undistributed earnings from its non-U.S. subsidiaries because such earnings are intended to be re-invested indefinitely. If these earnings were distributed, foreign tax credits may become available under current tax law to reduce the resulting U.S. tax liability.

Income tax expense for the first nine months of fiscal 2005 included provisions for state franchise and foreign income taxes, while fiscal 2004 tax expense included provisions for state franchise and foreign income taxes. The federal tax rate for the first nine months of fiscal 2005 was 1% of domestic taxable income, and was lower than the U.S. federal statutory tax rate primarily due to the recognition of tax benefits associated with the utilization of loss carryforwards. The federal tax provision for the first nine months of fiscal 2004 was offset by the recognition of tax benefits associated with loss carryforwards, which for Holding were greater than the loss carryforwards for EMJ on a consolidated basis. Income tax expense has been provided for the nine months ended December 31, 2004 based on the Company s estimated effective income tax rate for fiscal 2005.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

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7. Employee Benefit Plans

Stock Bonus Plan

The Company has a stock bonus plan (the Plan, formerly an employee stock ownership plan (ESOP) prior to April 1, 1999) which covers nonunion employees of EMJ who meet certain service requirements. The cost of the Plan is borne by EMJ through annual contributions to a trust in amounts determined by the Board of Directors. Prior to an agreement reached with the Department of Labor in January 2003 (see Note 10), contributions were made in cash or shares of the Company s stock as the Company s Board of Directors may from time to time determine. Participants vest at a rate of 20% per year of service and become fully vested at age 65 or upon retirement, disability or death. Upon the occurrence of a participant s termination (as defined), retirement, disability, or death, the Plan is required to distribute the vested balance in stock and to repurchase the vested balance for cash. If stock is distributed, it is accompanied by a put option to the Company under terms defined in the Plan. Shares of the Company s Series A and B preferred and common stock owned by the Plan totaled 38,282, 28,730 and 2,652,874 at March 31, 2004, and 35,208, 28,697, 2,506,309 at December 31, 2004, respectively. For fiscal years ended March 31, 2002, 2003, 2004 and the nine months ended January 1, 2004 and December 31, 2004, contributions accrued to the Plan s trust totaled $2,831,000, $2,772,000, $2,783,000, $2,147,000 and $2,876,000 which represented 5% of eligible compensation for each of the respective periods. The contributions payable as of March 31, 2002, 2003, 2004, have been or will be paid in cash. EMJ recognizes the cost of the Plan as compensation expense with a corresponding amount reflected in its capital for value of the Company s common stock contributed to the trust by the Company, or as a dividend to the Company for contributions paid in cash.

Although the Company has not expressed any intent to terminate or amend the plan, it has the right to do so at any time. In the event of any termination, participants become fully vested to the extent of the balances in their separate accounts and come under the put options as previously discussed.

Pension Plans

EMJ maintains a noncontributory defined benefit pension plan covering substantially all hourly union employees (the Hourly Plan). Benefits under the Hourly Plan are vested after five years and are determined based on years of service and a benefit rate that is negotiated with each union. The assets of the Hourly Plan for participants are held in trust and consist of bonds, equity securities and insurance contracts. EMJ contributes at least the minimum required annually under ERISA. EMJ also maintains an unfunded supplemental pension plan, which provides benefits to highly compensated employees; this plan has been frozen to include only existing participants (the Supplemental Plan).

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Components of net periodic pension cost (credit) associated with EMJ s pension plans for years ended March 31, 2002, 2003, 2004 and nine months ended January 1, 2004 and December 31, 2004 are as follows:

				Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
				(unaudited)	
Service cost of benefits earned during the period	$ 433,000	$ 432,000	$ 523,000	$ 392,000	$ 492,000
Interest cost on projected benefit obligation	784,000	843,000	879,000	630,000	733,000
Expected return on plan assets	(1,017,000)	(864,000)	(763,000)	(573,000)	(753,000)
Amortization of prior service cost	(95,000)	(47,000)	(37,000)	(28,000)	84,000
Recognized net (gain) loss	(66,000)	21,000	267,000	181,000	100,000
Net periodic pension cost (credit)	$ 39,000	$ 385,000	$ 869,000	$ 602,000	$ 656,000

Categories of Plan assets	2003	2004
Bonds	13%	14%
Stocks	87%	86%

During fiscal year 2005, a contribution of $700,000 was made.

The plan is 100% invested in Wells Fargo Asset Allocations Collective Investment Fund (the Fund). The Fund seeks long-term total return, consistent with reasonable risk, by shifting investments among stocks and U.S. Treasury long-term bonds using a quantitative asset allocation strategy. The Fund invests in common stocks that comprise the S&P 500 Index and bonds that comprise the Lehman Brothers 20+ Treasury Index. The Fund will remain near its strategic allocation of 60% stocks and 40% bonds them majority of the time to maximize the probability of achieving its long-term risk and return objectives.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following provides a reconciliation of the changes in the benefit obligation and fair value of plan assets, and the funded (unfunded) status of the pension plans for the years ended March 31, 2003 and 2004.

	2003	2004
Change in Projected Benefit Obligation:		
Benefit obligation at beginning of year	$ 11,350,000	$ 14,066,000
Service cost	432,000	523,000
Interest cost	843,000	879,000
Change in assumptions	1,414,000	958,000
Amendments	504,000	67,000
Benefit payments	(514,000)	(545,000)
Actuarial losses/(gain)	37,000	(157,000)
Benefit obligation at end of year	14,066,000	15,791,000
Change in Plan Assets:		
Fair value of plan assets at beginning of year	11,203,000	9,297,000
Actual return on assets	(1,434,000)	2,205,000
Benefit payments	(514,000)	(545,000)
Company contributions	92,000	793,000
Fees	(50,000)	(31,000)
Fair value of plan assets at end of year	9,297,000	11,719,000
Unfunded	(4,769,000)	(4,072,000)
Unrecognized prior service cost	(236,000)	(131,000)
Unrecognized net actuarial gain	3,658,000	2,780,000
Net amount recognized	$ (1,347,000)	(1,423,000)

The following provides a reconciliation of the changes in the benefit obligation and fair value of plan assets, and the funded (unfunded) status of the pension plans for the years ended March 31, 2003 and 2004:

	2003	2004
Amounts recognized in balance sheets consist of:		
Prepaid cost	$	$

Accrued benefit liability	(4,746,000)	(4,048,000)
Accumulated comprehensive loss additional minimum liability	3,399,000	2,625,000
Net amount recognized	$ (1,347,000)	(1,423,000)
Weighted-average assumptions as of March 31:		
Discount rate	6.50%	6.00%
Expected return on assets	8.25%	8.25%
Rate of compensation increase		
Measurement date for assets and liabilities	1/1/2003	1/1/2004

The return on assets assumption assumes a long-term return of 9% on equity investments and 7% on government bond investments with 60% equity and 40% bond target investment mix. Long-term rates of return on equity investments are trending approximately 7% above current CPI, while long-term rates of return on government bong investments are trending approximately 5% above current CPI. Current CPI has been approximately 2% for the last few years.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In accordance with union agreements, EMJ also contributes to multi-employer defined benefit retirement plans covering substantially all union employees of EMJ. At December 31, 2004, three different unions represented approximately 559 of our employees from 15 locations (33% of total employees). Our collective bargaining agreements expire at staggered dates through March 2010; bargaining agreements that will expire in fiscal 2005 represent 1% of total employees. Expenses incurred in connection with these plans totaled $1,015,000, $1,295,000, $1,798,000 and $1,445,000 in fiscal years 2002, 2003, and 2004 and for the first nine months ended December 31, 2004, respectively.

Postretirement Benefit Plan

In addition to EMJ s defined benefit pension plans, EMJ sponsors a defined benefit health care plan that provides postretirement medical and dental benefits to eligible full time employees and their dependents (the Postretirement Plan). The Postretirement Plan is fully insured, with retirees paying a percentage of the annual premium. Such premiums are adjusted annually based on age and length of service of active and retired participants. The Postretirement Plan contains other cost-sharing features such as deductibles and coinsurance. EMJ recognizes the cost of future benefits earned by participants during their working careers, as determined using actuarial assumptions. Gains and losses realized from the remeasurement of the plan s benefit obligation are amortized to income over three years.

In December 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 132 (revised December 2003), *Employers Disclosures about Pensions and Other Postretirement Benefits* (SFAS No. 132(R)). This statement amends the disclosure requirements of SFAS No. 132 to require more details about retirement plan assets, benefit obligations, cash flows and other relevant information. SFAS No. 132(R) is effective for years ending after December 15, 2003, except certain benefit payment and international plan disclosures that are effective for fiscal years after June 15, 2004. The adoption of the disclosure provisions of SFAS No. 132(R) did not have a material effect on the Company s consolidated financial statements.

Components of the net periodic pension cost (credit) associated with EMJ s Postretirement Plan for years ended March 31, 2002, 2003, 2004 and the nine months ended January 1, 2004 an December 31, 2004 are as follows:

				Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
				(unaudited)	
Service cost of benefits earned during the period	$ 223,000	$ 249,000	$ 293,000	$ 250,000	$ 253,000
Interest cost on projected benefit obligation	211,000	258,000	271,000	238,000	220,000
Recognized net (gain)/loss	(185,000)	(9,000)	55,000	75,000	138,000

Net periodic pension cost (credit)	$ 249,000	$ 498,000	$ 619,000	$ 563,000	$ 611,000

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables provide a reconciliation of the changes in the benefit obligation and the unfunded status of the Postretirement Plan for the years ended March 31, 2003 and 2004.

	March	
	2003	**2004**
Change in Projected Benefit Obligation:		
Benefit obligation at beginning of year	$ 3,271,000	$ 4,328,000
Service cost	249,000	293,000
Interest cost	258,000	271,000
Change in assumptions	950,000	262,000
Benefit payments	(208,000)	(151,000)
Actuarial gains	(192,000)	(87,000)
Benefit obligation at end of year	4,328,000	4,916,000
Unfunded	(4,328,000)	(4,916,000)
Unrecognized prior service cost		
Unrecognized net actuarial gain	358,000	478,000
Accrued benefit cost	$ (3,970,000)	$ (4,438,000)
Weighted-average assumptions as of March 31:		
Discount rate	6.50%	6.00%
Healthcare cost trend rate	12.00%	11.00%
Measurement date for assets and liabilities	1/1/2003	1/1/2004

The healthcare cost trend rate of 11.0% used in the calculation of net benefit cost of the Postretirement Plan is assumed to decrease 1.0% per year to 6.0% for 2009 and remain at that level thereafter.

Assumed healthcare trend rates have a significant effect on the amounts reported for EMJ s Postretirement Plan. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	1% Increase	**1% Decrease**

Effect on total service and interest cost components	$ 88,000	$ (74,000)
Effect on postretirement benefit obligation	644,000	(550,000)

8. Stockholders Equity

Preferred and Common Stock Subject to Redemption

Preferred stock and common stock subject to put rights , which are exercisable under certain limited circumstances under EMJ s stock bonus plan and under an agreement entered into with certain employees who purchased shares of the Company s common and preferred stock (the Stockholders Agreement), are presented separately from preferred stock and common stock which are not subject to put rights in order to distinguish the shares from permanent capital in the legal sense. Further, the Company is required to present such shares in the financial statements at the amount which would be paid if the shares were to be redeemed. Accordingly, in the accompanying consolidated balance sheets, Preferred and common stock subject to redemption has been stated at its redemption price. The account Reclassification to value preferred and common stock subject to redemption in certain circumstances is adjusted annually as a result of changes in the market value of the related stock based on annual appraisals.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At March 31, 2004 a total of 38,524 shares of series A preferred stock, 28,733 shares of series B preferred stock and 2,755,950 shares of common stock and at December 31, 2004 a total of 35,371 shares of series A preferred stock, 28,702 shares of series B preferred stock and 2,600,402 shares of common stock are subject to put rights in the event of the death, disability, retirement, (or termination in certain circumstances) of an employee holding shares beneficially or directly under either the Plan or the Stockholders Agreement.

EMJ has life insurance policies on the lives of certain management stockholders and stock bonus plan participants to provide funding for share repurchases in the event of a stockholder s death; these policies had a net cash surrender value of approximately $31,007,000 at March 31, 2003, $34,689,000 at March 31, 2004 and $31,820,000 at December 31, 2004 (see Note 4).

Series A Preferred Stock

Series A preferred stock is senior to series B preferred stock and common stock with respect to dividends and liquidation preferences and to any other preferred stock which may be issued by the Company from time to time. The series A preferred stock may be redeemed at the Company s option at any time at its stated value of $100 per share plus cumulative unpaid dividends.

Shares of series A preferred stock have a stated liquidation value of $100 per share and were entitled to a minimum cumulative 13% dividend, based on such stated liquidation value. Because the series A preferred stock was not redeemed on or prior to the eleventh anniversary of its original issuance, the dividend rate increased 500 basis points (to 18%) beginning fiscal 2002, and such rate will remain in effect until the series A preferred stock is redeemed. Dividends may be paid in cash or shares of preferred stock provided that not less than 35% of any dividend must be paid in cash. Undeclared dividends in arrears totaled $33,429,000 and $35,146,000 at March 31, 2004 and December 31, 2004, respectively. The Notes, the Credit Agreement and the 9 3/4% Senior Secured Notes preclude the payment of any cash dividends on series A preferred stock. At any time when the Company has not paid dividends on the series A preferred stock for two consecutive periods, the holders of the series A preferred stock are entitled to elect one director to the Board of Directors of the Company. The holders of the series A preferred stock have elected a director to the Board of Directors of the Company.

The series A preferred stock has no right to vote except for certain matters that would affect the preferential rights of the series A preferred stockholders or in matters related to mergers, consolidations or other business combinations (as defined).

Series B Preferred Stock

Series B preferred stock is senior to the common stock with respect to dividends and liquidation preferences. The series B preferred stock has a stated liquidation value of $1,000 per share. The series B preferred stock may be redeemed at the Company s stated value of $1,000 per share plus cumulative unpaid dividends.

Shares of series B preferred stock are entitled to cumulative dividends at varying rates (15.0% at March 31, 2004 and 14.0% at December 31, 2004) payable quarterly in additional shares of series B preferred stock, common stock or cash. The dividend rate of the series B preferred stock is reset annually in advance as of each April 1 to a rate that would maintain its fair market value at an amount equal to its stated value. Beginning with the quarter ended March 31, 1997, such dividend rate shall be increased by 150 basis points for dividends not paid in cash (to an effective rate of 16.5% at March 31, 2004 and 15.5% at December 31, 2004). The Notes, the Credit Agreement and the 9 3/4% Senior Secured Notes preclude the payment of cash dividends on the series B preferred stock and therefore all dividends declared were paid in kind as of March 31, 2004. Undeclared but accumulated dividend in arrears totaling $2,287,000 at March 31, 2004 were declared and paid in July 2004. There were no undeclared dividends in arrears at December 31, 2004.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Common Stock

Each outstanding share is entitled to one vote on each matter submitted to a vote of stockholders except as otherwise provided in the Stockholders Agreement with respect to the election of directors. Holders of the common stock are entitled to share equally in such cash dividends as may be declared by the Board of Directors out of funds legally available therefore, and upon liquidation will be entitled to receive pro rata all assets of the Company available for distribution to such holders. The Notes, the Credit Agreement and the 9 3/4% senior secured notes preclude payment of any cash dividends on EMJ common stock. The Series A and Series B preferred stock prohibit the payment of cash dividends on the Company common stock unless all accumulated preferred dividends have been paid.

9. Stock Option Plan

In January 1997, the Company adopted a stock option plan that provides the granting of qualified and nonqualified options to purchase shares of the Company s common stock to directors, consultants, officers and other key employees at a price not less than the fair market value on the date of grant. Options are generally granted for a period not to exceed ten years and are exercisable under terms and conditions as determined by the Company s Executive Committee. Since adopting the stock option plan, the Company has only granted options to directors, officers and other key employees.

The maximum number of shares of the Company s common stock to be issued under the stock option plan is 2,500,000, subject to adjustment upon the occurrence of certain events. The following table summarizes activity for shares subject to options as of and for the fiscal years ended March 31, 2002, 2003, 2004 and the nine months ended December 31, 2004:

	Number of Shares	Weighted Average Exercise Price
Outstanding at March 31, 2001	1,962,500	$ 5.60
Granted	168,500	$ 8.06
Exercised, Canceled or Expired	(88,000)	$ 5.93
Outstanding at March 31, 2002	2,043,000	$ 5.79
Granted	121,000	$ 7.78
Exercised, Canceled or Expired	(27,500)	$ 8.05
Outstanding at March 31, 2003	2,136,500	$ 5.87

Granted		
Exercised, Canceled or Expired	(35,500)	$ 7.83
Outstanding at March 31, 2004	2,101,000	$ 5.84
Granted		
Exercised, Canceled or Expired	(370,000)	$ 5.47
Outstanding at December 31, 2004	1,731,000	$ 5.92
Modified outstanding at December 31, 2004	3,053,668	$ 3.35

Exercise prices for options outstanding as of March 31, 2004 and December 31, 2004 ranged from $3.34 to $8.16. The weighted-average remaining contractual life of those options is 3.91 years at March 31, 2004 and 4.12 years at December 31, 2004. As of March 31, 2004, there were 399,000 options available for future grants and 1,994,000 options exercisable at a weighted average exercise price of $5.73 per share. At December 31, 2004 there were 769,000 options available for future grants and 1,731,000 options exercisable at a weighted average exercise price of $5.92 per share.

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In December 2004 the Company modified the terms of its outstanding stock options by adjusting the number of shares that can be purchased pursuant to each option and the exercise price per share to offset the reduction in the appraised value of the Holding common stock resulting from the change in valuation methodology required by the amended consent order for Holding s stock bonus plan (see Note 12). As a result of this change, options to purchase 1,731,000 shares of Holding common stock at a weighted average exercise price of $5.92 per share were converted into options to purchase 3,053,668 shares of Holding s common stock at a weighted average exercise price of $3.35 per share. The maximum number of shares to be issued under the stock option plan was increased to 4,000,000.

Had compensation cost for the stock option plan been determined based on the fair value of the options at the grant date in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*, the Company s net income (loss) for fiscal years 2002, 2003, 2004 and the nine months ended January 1, 2004 and December 31, 2004 would have been $(24,714,000), $(33,009,000), $(23,636,000), $(20,139,000) and $38,074,000, respectively. Such proforma effects are not likely to be indicative of the effects on the Company s results in future years.

Under SFAS No. 123, the fair value of each option is estimated on the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for fiscal years 2002 and 2003, respectively: risk-free interest rate 4.37% and 3.00%; no dividend yield; no volatility factor; and an expected life of four years. There were no stock options issued in fiscal year 2004 and during the first nine months of fiscal 2005. Using these assumptions, the weighted average fair value of options granted during fiscal years 2002 and 2003 was $1.29 and $0.88, respectively.

In December 2004, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation,* using the modified-prospective transition method, for all employee awards granted, modified or settled after April 1, 2004, as permitted by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure-An Amendment of FASB Statement No. 123.* In accordance with SFAS No. 123, the Company estimated the fair value of options using an option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, and the expected life of the options. The Company s common stock is not currently traded on a national securities exchange or an over-the-counter market, and therefore an effectively zero percent volatility was used. The dividend yield is excluded from the calculation, as it is the Company s intention to retain all future earnings. All stock options had fully vested prior to the adoption of SFAS No. 123.

10. Commitments and Contingencies

Lease Commitments

EMJ leases, under several agreements with varying terms, certain office and warehouse facilities, equipment and vehicles. Rent expense totaled $21,353,000, $21,657,000 and $22,302,000 for the years ended March 31, 2002, 2003 and 2004, respectively. Sublease income for the years ended March 31, 2002, 2003 and 2004 was $456,000, $632,000 and $653,000, respectively. Minimum rentals of certain leases escalate from

time to time based on certain indices.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At March 31, 2004 EMJ was obligated under non-cancellable operating leases for future minimum rentals as follows:

Fiscal year:	
2005	$ 18,422,000
2006	14,315,000
2007	10,323,000
2008	7,337,000
2009	5,718,000
Thereafter	43,939,000
Sub-total	100,054,000
Less: Non-cancellable subleases	(7,961,000)
Net lease obligations	$ 92,093,000

Other Commitments

On January 14, 2004, EMJ announced that it had reached an agreement with the Company and the Company s principal securityholders providing for a restructuring of the combined capital structure. The financial restructuring is being effected pursuant to an Agreement and Plan of Merger and Reorganization dated as of December 18, 2003 among EMJ, the Company and EMJ Metals LLC, a newly-formed wholly-owned subsidiary, as well as an Exchange Agreement among EMJ, the Company and Kelso Investment Associates IV, L.P. and certain of its affiliates (Kelso). The principal effect of the financial restructuring will be to convert all outstanding debt and equity securities of the Company to EMJ s common stock. Kelso is the holder of the Company s outstanding Series A Variable Rate Notes and also is the Company s controlling stockholder.

On May 25, 2004 EMJ announced that the proposed restructuring of the combined capital structure of EMJ with the Company, its parent company, had been delayed. Because of the delay, additional negotiations among the Company s securityholders and changes to the structure of the transaction are required before it can proceed. There is no assurance that the transaction will be successfully negotiated or, if negotiated, will be approved by the requisite votes of the Company s stockholders or that the other conditions to completion of such a transaction will be satisfied. Thus there can be no assurance that the merger will be consummated.

In connection with the 1990 merger, EMJ agreed to pay Kelso, which owns the majority of the Company s common stock, an annual fee of $1,250,000 each year for financial advisory services and to reimburse it for out-of-pocket expenses incurred in connection with rendering such services. EMJ also agreed to indemnify Kelso and its affiliates against certain claims, losses, damages, liabilities, and expenses that may arise in connection with the merger. However, no such annual fee was payable for fiscal years 2002, 2003, and 2004 and other expenses paid to Kelso in

fiscal years 2002, 2003 and 2004 were not significant.

Governmental Matters

The Internal Revenue Service (the IRS) conducted an audit of the Company s employee stock ownership plan (the Plan) for the fiscal years ended March 31, 1992, through March 31, 1996, and issued a preliminary report to the Company in which the IRS asserted that certain contributions of stock by the Parent to the Plan violated provisions of the Internal Revenue Code because the securities contributed were not qualifying employer securities as defined by ERISA. In fiscal year 2002, this matter was settled without the Company admitting the allegations of the IRS, and the Company paid $1,919,000 of excise tax to the IRS.

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The Department of Labor (the DOL) also investigated the same transactions involving the Plan. In the course of its investigation, the DOL and its advisors reviewed the valuations of the Company s common and preferred stock prepared for the Plan and challenged the methodology used in preparing the valuations.

On March 8, 2002, the DOL sued the Company, EMJ, the Plan and former members of the Company s benefits committee in the federal district court for the Central District of California. The DOL claimed that the valuations of Company s common stock used to make annual contributions to the Plan in each of the years 1994 through 2000 contained significant errors that resulted in the common stock being overvalued, and that the failure of the members of our benefits committee to detect and correct the errors was a breach of their fiduciary duty under ERISA. As a result of the alleged overvaluations, the DOL contended that the contributions to the Plan were prohibited transactions under ERISA. On January 27, 2003, the Company signed a settlement agreement with the DOL in connection with the lawsuit. The key provisions of the agreement are as follows: (i) the Company has not been required to make any payments under the agreement at this time; (ii) the Company is prohibited to make further common stock contributions to the Plan; (iii) the Company will continue to obtain annual appraisals of Company stock using methodology consistent with prior appraisals, and use that appraised value as the purchase price for repurchases of common stock as it has done in the past, and; (iv) if the annual appraisal of the Company s common stock is less than $4.25 per share, the Company shall pay a floor price of $4.25 per share in connection with the repurchase of common stock from departing employees for shares that were originally contributed to the Plan for the plan years 1994 through 2000.

If the Company pays the floor price in connection with the repurchase of common stock from departing employees, the agreement also allows the DOL to assess the Company a penalty equal to 20% of the amount calculated by multiplying the difference between the appraised value and the floor price by the number of shares repurchased at the floor price.

The Company does not believe the settlement will have a material impact on its financial condition or future results of operations, and we believe payments under the settlement, if any, will most likely be paid in immaterial amounts which will be spread over many years.

In December 2003, the Company entered into agreements with EMJ, a subsidiary and the principal stockholders of Holding providing for a financial restructuring. Prior to approval of the transaction, the DOL initiated a review of the procedures followed by the Company s benefits committee in connection with evaluation of the proposed transaction and other strategic alternatives available to the Company and an assessment of whether or not the proposed transaction complied with the terms of the consent order and the legal requirements applicable to the stock bonus plan. Such review resulted in delays that, combined with other transactional requirements, precluded the consummation of the financial restructuring on the terms originally proposed. The Company is considering changes to the proposed transaction that will achieve the objectives of the original restructuring transaction, while meeting the concerns expressed by the DOL. The Company intends to review any proposed transaction with the DOL in advance under their compliance assistance program to ensure compliance with the terms of the consent order and applicable law. There can be no assurance that a revised transaction will be agreed upon, approved by the Company s stockholders and consummated.

Environmental Contingencies

EMJ is subject to extensive and changing federal, state, local and foreign laws and regulations designed to protect the environment and human health and safety, including those relating to the use, handling, storage, discharge and disposal of hazardous substances and the remediation of environmental contamination. As a result, EMJ is from time to time involved in administrative and judicial proceedings and inquiries relating to environmental matters.

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During fiscal years 2002, 2003 and 2004, expenditures made in connection with environmental matters totaled $97,000, $194,000 and $232,000, respectively, principally for settlement of claims, and monitoring, remediation and investigation activities at sites with contaminated soil and/or groundwater and were expensed as incurred. As of March 31, 2004, an accrual of $203,000 exists for future investigation and remediation expenditures related to the following pending environmental matters.

Forge (Seattle/Kent, WA). In November 1998, EMJ paid the purchasers of its former Forge facility and an off-site disposal site $2,250,000 as an indemnification settlement for liabilities related to the remediation of known contamination at the Forge facility. EMJ continues to monitor the disposal site for environmental conditions in accordance with a consent decree issued by the Washington Department of Ecology (Ecology). Annual costs associated with such monitoring are not significant, and EMJ does not anticipate significant additional expenditures related to this matter.

The Forge property is located on the Lower Duwamish Waterway, which has been identified by the United States Environmental Protection Agency (EPA) as a Superfund Site (the Duwamish Site). Under the Federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), owners or operators of facilities that have released hazardous substances to the environment may be liable for remediation costs. Courts have held that such liability may be joint and several; however, in many instances, the costs are allocated among the parties, primarily based on their estimated contribution to the contamination. The EPA, along with Ecology, have entered into an Administrative Order of Consent (AOC) with four major property owners with potential liability for cleanup of the Duwamish Site that outlines tasks required to be completed to further investigate the nature and extent of the contamination and cleanup alternatives. In November 2001, the current owners of the Forge property notified the Company of a potential claim for indemnification for any liability relating to contamination of the Duwamish Site. The notification stated that the Forge facility, along with other businesses located along the Duwamish Site, are expected to be named as potentially responsible parties for contamination of the Duwamish Site and requested that EMJ participate under a joint defense.

On July 10, 2003, EMJ received a request from the EPA to sign an AOC under CERCLA to investigate certain areas of the Duwamish Site. A preliminary cost of proposed work under the AOC ranges from $350,000 to $450,000, and is subject to approval by the EPA. On April 15, 2003, the Company signed a funding and participation agreement with the current owners of the Forge property, which requires it to fund 85% of costs to be incurred in connection with the investigation activities to be performed under the AOC. As of March 31, 2004, EMJ has accrued $203,000 for remaining costs that are expected to be incurred in future years.

EMJ is continuing to evaluate this matter and remedies it may have, including insurance recoveries for any monies to be spent as part of the investigation or cleanup of the Duwamish Site. Because the Duwamish Site is still being investigated and clean up alternatives and responsibility for clean up are still being evaluated at this time, EMJ cannot determine what ultimate liability it may have relating to this matter.

Union (New Jersey). During fiscal year 1994, EMJ was notified by the current owner that it has potential responsibility for the environmental contamination of a property formerly owned by a subsidiary and disposed of by such subsidiary prior to its acquisition by EMJ . The prior owner of such subsidiary has also been notified of its potential responsibility. On March 27, 1997, the current owner of the property informed the Company that it estimated the cost of investigation and cleanup of the property at $875,000 and requested contribution to such costs from EMJ

and the prior owner. EMJ has contested responsibility and commented on the cleanup plan and has not received any further demands. EMJ does not have sufficient information to determine what potential liability it has, if any.

Although it is possible that new information or future developments could require EMJ to reassess its potential exposure relating to all pending environmental matters, management believes that, based upon all

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

currently available information, the resolution of such environmental matters will not have a material adverse effect on EMJ s financial condition, results of operations or liquidity. The possibility exists, however, that new environmental legislation and/or environmental regulations may be adopted, or other environmental conditions may be found to exist, that may require expenditures not currently anticipated and that may be material.

11. Legal

On April 22, 2002, EMJ was sued by Champagne Metals, a small metals service center distributing aluminum coil products in Oklahoma, alleging that the Company had conspired with other metal service centers to induce or coerce aluminum suppliers to refuse to designate Champagne Metals as a distributor, which resulted in unspecified damages. EMJ and the other defendants filed motions for summary judgment, and on June 15, 2004, the federal District Court for the Western District of Oklahoma entered an order granting the motions for summary judgment of each of the defendants including EMJ and dismissed the case. Plaintiffs filed a notice of appeal on July 13, 2004 and the plaintiffs and defendants are in the process of briefing the appeal.

The Company is involved in other litigation or legal matters in the normal course of business. In the opinion of management, these matters will be resolved without a material impact on the Company s financial position or results of operations.

12. Subsequent Events (unaudited)

The Department of Labor In December 2003, the Company entered into a merger agreement and an exchange agreement with EMJ, EMJ Metals LLC, a wholly owned subsidiary of EMJ, and the principal stockholders of the Company that provided for a financial restructuring pursuant to which the Company would cease to exist as the parent company of EMJ and the stockholders and noteholder of the Company would receive shares of EMJ common stock based on a fixed exchange ratio. Prior to approval of the transaction, the U.S. Department of Labor (DOL) initiated a review of the procedures followed by the Company s benefits committee in connection with evaluation of the proposed transaction and other strategic alternatives available to the Company and an assessment of whether or not the proposed transaction complied with the terms of the consent order entered on January 29, 2003 and the legal requirements applicable to the Company s stock bonus plan. The investigation and related discussions with the DOL resulted in delays that, combined with other transactional requirements, precluded the consummation of the financial restructuring on the terms originally proposed. The parties to the merger agreement and exchange agreement executed an agreement terminating the merger agreement and the exchange agreement as of July 30, 2004. Notwithstanding such termination, representatives of the Company s special committee, Kelso & Company (Kelso), EMJ and the benefits committee continued to work on an alternative transaction to restructure the combined capital structure of the Company and EMJ and negotiate a financial restructuring transaction.

In August 2004, the Company and the benefits committee submitted a proposal to the DOL for the amendment of the consent order to change the methodology used in preparing annual valuations for the Company s stock bonus plan. In connection with the change in valuation

methodology, the Company also determined that it would be in the best interests of the plan to make a special contribution of additional shares of the Company s common stock with respect to the shares of the Company s common stock held by the stock bonus plan. This contribution (which would be converted into a contribution of EMJ common stock upon consummation of the financial restructuring) would offset the adverse effect on participants in the stock bonus plan, because the change in methodology would cause a significant decrease in the appraised value of the Company s common stock. This proposal was approved by the DOL on November 17, 2004. On December 16, 2004, the board of directors of the Company approved the amended consent order and the program documents committing to make the special contribution to the stock bonus plan, and on December 17, 2004, the amended

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consent order was executed by the Company, the benefits committee and the DOL, and on January 3, 2005, the amended consent order was entered by the district court and became effective.

The Company has authorized a special contribution of additional shares of the Company s common stock or common stock equivalents to (1) the stock bonus plan, (2) the supplemental stock bonus plan and (3) a cash bonus plan. The special contribution will consist of 1.0817 shares of the Company s common stock or its equivalent with respect to each share of the Company s common stock held in the stock bonus plan. This amount is equal to (a) the difference between the appraised value as of March 31, 2004 using the old methodology and the appraised value as of March 31, 2004 using the new methodology, divided by (b) the appraised value as of March 31, 2004 using the new methodology, adjusted for the dilutive effect of such contribution. After giving effect to the special contribution, the stock bonus plan participants holding the Company s common stock will continue to have shares of the Company s common stock with the same aggregate value, notwithstanding the change in valuation methodology which otherwise would have had the effect of reducing the aggregate value of their equity interests. As of January 12, 2005, there were 2,454,119 shares of the Company s common stock in the stock bonus plan of which 2,275,628 shares of the Company s common stock were allocated to the accounts of participants who are still EMJ employees and are eligible to receive the special contribution in the form of common stock contributed to the plan. The special contribution will consist of up to 2,461,547 shares of the Company s common stock or its equivalent and cash bonuses paid through a new cash bonus plan of approximately $1,056,000 in the aggregate to participants who are no longer employed by EMJ. EMJ charged approximately $17,327,000 in the aggregate to expenses in the third quarter of fiscal 2005 with respect to the commitment to make the special contribution in December 2004.

To ensure compliance with the Internal Revenue Code and ERISA requirements, the first contribution will be made after the completion of the plan year ended March 31, 2005. Due to certain Internal Revenue Service rules limiting the amount of contributions that can be made in a single year, the contributions will be made over two years, and affected participants who are no longer employed by EMJ will receive the program benefits in cash payments outside the stock bonus plan. Other Internal Revenue Service rules limit contributions that discriminate in favor of highly compensated employees. The Company has adopted an amendment to the stock bonus plan that provides for stock contributions for the plan years ending March 31, 2005 and March 31, 2006. To the extent legally permissible, each participant will receive the special contribution of 1.0817 additional shares of the Company s common stock for each share of the Company s common stock which remained in their account as of the date of the amended consent order in two contributions. To the extent participants do not receive their full allocation under the stock bonus plan over the two years, the program benefits will be provided under a cash bonus plan or through credits of units under a phantom stock plan called the supplemental stock bonus plan. The program has been designed to ensure that each participant will receive the equivalent value of their allocation of the special contribution determined as of the date of the amended consent order, whether or not they continue to be employed by EMJ or continue to be a plan participant.

If the financial restructuring and this offering are consummated, EMJ will assume the Company s obligations under all aspects of the program and the stock contributions will be made in EMJ s common stock.

Financial Restructuring The Company, EMJ and Kelso have negotiated a financial restructuring transaction (approved by the boards of the Company and EMJ on December 16, 2004) to be consummated concurrently with this offering (approved by EMJ s board on September 27, 2004). The transaction will involve a merger between the Company and a wholly owned subsidiary of EMJ pursuant to a merger agreement dated as of December 17, 2004, amended as of January 28, 2005, and further amended as of March 3, 2005. Pursuant to the merger agreement

(1) all issued and outstanding shares of the Company s common stock will be converted into shares of EMJ s common stock and (2) all issued and outstanding shares of the Company s 13% Cumulative Preferred Stock, or the series A preferred stock, and the Company s Variable Rate Cumulative Preferred stock, or

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the series B preferred stock, will be converted into a combination of cash and shares of EMJ s common stock. In addition, pursuant to an exchange agreement dated as of December 17, 2004, and as amended as of March 3, 2005 Kelso Investment Associates IV, L.P. (KIA IV) will, concurrently with and subject to the completion of the merger, exchange all of the outstanding Series A Variable Rate Notes of the Company, or the Company notes, for a combination of cash and shares of EMJ s common stock and will exchange all rights pursuant to warrant agreements executed by the Company entitling KIA IV to purchase shares of the common stock of the Company for shares of EMJ s common stock. Pursuant to the exchange agreement, the Kelso funds voted all shares of the Company s capital stock held by them in favor of the adoption and approval of the merger agreement and the merger. The value of the shares of EMJ s common stock for use as merger consideration will be determined by the price at which a share of EMJ s common stock is sold in its initial public offering to be consummated concurrently with the merger. The net proceeds of the initial public offering will be allocated to the payment of the cash consideration for the series A preferred stock, series B preferred stock and the Company s notes upon consummation of the financial restructuring in accordance with the terms of the merger agreement and the exchange agreement.

While the Company s stockholders have approved the merger at a special meeting of stockholders held on April 13, 2005, the consummation of the financial restructuring is subject to several other customary conditions. In addition, the consummation of the financial restructuring and this offering are conditioned upon one another. There is no assurance that this offering will be completed successfully or that the other conditions to completion of the transaction will be satisfied.

Contingencies As soon as practicable after, and conditioned upon consummation of, this offering, EMJ has committed to pay a taxable initial public offering bonus to its employees on the closing date who are also participants in the stock bonus plan. The initial public offering bonus plan provides for the payment of a bonus of $7,500,000 in the aggregate to participants and a bonus of $1,000,000 in the aggregate to a certain subset of participants, which will be allocated to each group s participants in accordance with the plan and based on the number of shares of the Company s common stock owned in the stock bonus plan.

EMJ s obligation in regards to the stock contribution discussed above in this Note 12 is to contribute up to 2,461,547 shares of EMJ s common stock to the stock bonus plan. The per share price of common stock used in determining the value of the contribution was $6.61 per share. In fiscal 2006 and 2007, when the stock contributions are made, if the market price of the common stock is greater than (less than) the price used for the initial valuation of the contribution, EMJ is required to record an additional expense (benefit) for the difference between the then current market price and the initial share price. EMJ will adjust its remaining stock contribution obligation on a quarterly basis until the share contribution has been fulfilled.

Stock-Based Compensation In December 2004, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, using the modified-prospective transition method, for all employee awards granted, modified or settled after April 1, 2004, as permitted by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure An Amendment of FASB Statement No. 123*. In accordance with SFAS No. 123, the Company estimated the fair value of options using an option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, and the expected life of the options. The Company s common stock is not currently traded on a national securities exchange or an over-the-counter market, and therefore an effectively zero percent volatility was used. The dividend yield is excluded from the calculation, as it is the Company s intention to retain all future earnings. All stock options had fully vested prior to the adoption of SFAS No. 123.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Subsequent to the adoption of SFAS No. 123, the Company modified, as defined in SFAS No. 123, the terms of its outstanding stock options by adjusting the number of shares that can be purchased pursuant to each option and the exercise price per share to offset the reduction in the appraised value of the Company s common stock resulting from the change in valuation methodology required by the amended consent order for the Company s stock bonus plan. As a result of this change, options to purchase 1,731,000 shares of the Company s common stock at a weighted average exercise price of $5.92 per share were converted into options to purchase 3,053,668 shares of Holding s common stock at a weighted average exercise price of $3.35 per share. In accordance with SFAS No. 123, modifications made to outstanding options require a stock compensation charge for the difference between the intrinsic value of the outstanding stock options before the modifications and the fair value of the stock options after the modifications, using an option pricing model described above. As a result of the modifications to the outstanding stock options, the Company recorded a stock compensation charge of $1,557,000 during the three months ended December 31, 2004. In connection with the proposed merger and financial restructuring, all of the issued and outstanding options to purchase shares of the Company s common stock will be converted into options to purchase an equal number of shares of EMJ s common stock at the same exercise price.

On December 16, 2004, and prior to the modification of the outstanding options, the Company agreed to pay the chief executive officer a cash payment of $3,006,000 (equal to the difference between the appraised value of the Company s common stock as of March 31, 2004 of $13.76 and the exercise price of $5.41 per share) in consideration of the redemption of options to purchase 360,000 shares of the Company s common stock held by the chief executive officer.

Clinton Drive (Houston, TX) In connection with the sale of a surplus facility in Houston, Texas, an environmental investigation of the site detected benzene in the groundwater at the site that we believe came from previously removed diesel/gasoline underground storage tanks. Based on additional sampling and tests, traces of chlorinated solvents were also detected in the groundwater at the site. In connection with the sale of the property, on December 9, 2004, EMJ entered into an agreement with the buyer that provides for us to do the following:

file a voluntary clean-up application with the Texas Commission for Environmental Quality, or TCEQ, that commits us to clean-up the soil and groundwater at the site for the benzene and chlorinated solvents to acceptable levels in accordance with TCEQ requirements;

fund an escrow account with $0.5 million to be available to complete required clean-up and subsequent monitoring activities; and

indemnify the buyer for pre-existing environmental issues on the site based on applicable TCEQ industrial/commercial standards.

EMJ has accrued $0.5 million for the estimated liability from this issue.

Related Party Transaction On December 16, 2004, EMJ amended its advisory agreement with Kelso and paid Kelso a fee of $6,250,000 in connection with termination of EMJ s obligation to pay fees to Kelso under the advisory agreement. The obligations of Kelso to provide financial advisory services and of EMJ to reimburse expenses of and provide indemnification to Kelso remained in effect.

Credit Agreement EMJ amended its Credit Agreement on March 3, 2005, to permit maximum borrowings of $300.0 million. Borrowings under the Credit Agreement bear interest at a base rate (generally defined as the greater of the bank s prime lending rate or 0.5% over the Federal Funds rate) plus 1.00% or the adjusted Eurodollar rate plus 2.00%. The applicable margin will increase or decrease based on the leverage ratio (as defined) of EMJ. In addition, borrowings under the revolving loans are limited to an amount equal to 85% of eligible trade receivables (as defined) plus 60% of eligible inventories (as defined). The amended credit

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

agreement matures March 3, 2010 and is secured by a lien on all domestic inventory and accounts receivable of EMJ.

Under the Credit Agreement, EMJ is obligated to pay certain fees including an unused commitment fee of 0.375%, payable quarterly in arrears, and letter of credit fees at a rate equal to the applicable Eurodollar margin per annum, payable quarterly in arrears, plus issuance, fronting, amendment and other standard fees.

The Credit Agreement contains a financial covenant in respect of maintenance of a fixed charge coverage ratio (as defined). The Credit Agreement also limits, among other things, the incurrence of liens and other indebtedness, mergers, consolidations, the sale of assets, annual capital expenditures, advances, investments and loans by EMJ and its subsidiaries, dividends and other restricted payments by EMJ and its subsidiaries in respect to their capital stock, and certain transactions with affiliates.

Initial Public Offering The consummation of the financial restructuring and this offering are subject to various conditions, the approval of the financial restructuring by the holders of the Company s common stock and series B preferred stock voting together as a class, and the consent of the lenders under EMJ s credit facility and are conditioned upon one another. There is no assurance that the proposed financial restructuring will be approved by the requisite vote of the Company s stockholders, that this offering will be completed successfully or that the other conditions to completion of the transaction will be satisfied.

For accounting purposes, the restructuring will be accounted for as a transfer of assets and exchange of shares between entities, EMJ and the Company, under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, subsequent to the completion of the financial restructuring, the financial position and results of operations of the Company will be included in EMJ s consolidated financial statements on a historical basis.

Pursuant to the financial restructuring, assuming that the public offering price will be $12.00 per share of EMJ common stock and net proceeds of the public offering are $223,800,000 the following will occur:

Exchange of all outstanding Company debt and accrued interest thereon totaling $257,069,318 for $173,305,104 in cash from initial public offering proceeds and 6,980,351 shares of EMJ s common stock.

Exchange of warrants to purchase 2,937,915 shares of Company common stock for 2,935,467 shares of EMJ s common stock, net of the exercise price of $0.01 per share.

Conversion of 11,197,122 issued and outstanding shares (not including 2,141,414 shares held in treasury and retired) of Company common stock into 11,197,122 shares of EMJ common stock.

Conversion of 57,573 shares of the Company s series A preferred stock (not including 189,973 shares held in treasury and retired) for $550.57 in cash from initial public offering proceeds and 22.18 shares of EMJ s common stock.

Conversion of 27,882 shares of the Company s series B preferred stock (not including 3,136 shares held in treasury) for $674.16 in cash from initial public offering proceeds and 27.15 shares of EMJ s common stock.

The adjustment to the caption reclassification to value represents the cumulative changes in the market value, based on annual appraisals, related to the shares of the Company s preferred stock and common stock that will be redeemed in the financial restructuring. This will be eliminated as a result of the existing Company preferred stock and common stock being converted for a combination of cash and EMJ s common stock.

Upon completion of the financial restructuring and the public offering, subject to the assumptions herein, 43,146,764 shares of EMJ s common stock will be issued and outstanding.

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Earle M. Jorgensen Company

Credit Suisse First Boston

Goldman, Sachs & Co.

Citigroup

ABN AMRO Rothschild LLC

William Blair & Company

CIBC World Markets

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

Set forth below is an estimate (except as indicated) of the amount of fees and expenses (other than underwriting commissions and discounts) payable by the registrant in connection with the issuance and distribution of the common stock pursuant to the prospectus contained in this registration statement. The registrant will pay all of these expenses.

	Amount
SEC registration fee (actual)	$ 42,857
NASD filing fee (actual)	30,500
The New York Stock Exchange listing fee (actual)	36,800
Accountants fees and expenses	225,000
Legal fees and expenses	950,000
Printing and engraving expenses	647,140
Transfer agent fees	20,000
Miscellaneous expenses	56,953
Total	$ 2,009,250

Item 14. Indemnification of Directors and Officers.

The registrant s certificate of incorporation provides that the registrant shall indemnify, to the fullest extent permitted by the provisions of the Delaware General Corporation Law, as now or hereafter in effect, all persons whom it may indemnify under such provisions, including directors and officers. The registrant s bylaws, however, provide that the registrant shall not be obligated to indemnify any such person (1) with respect to any threatened, pending or completed claims, suits or actions, whether civil, criminal, investigative or otherwise (Proceedings) initiated or brought voluntarily by any such person and not by way of defense (other than, subject to certain exceptions, proceedings brought to establish or enforce a right to indemnification under the bylaws), or (2) for any amounts paid in settlement of a Proceeding without the prior written consent of the registrant. The registrant has entered into indemnification agreements with each of its directors and officers. These agreements may require the registrant, among other things, to indemnify such directors or officers against certain liabilities that may arise by reason of their status or service as directors or officers, to advance expenses to them as they are incurred, provided that they undertake to repay the amount advanced if it is ultimately determined that such director or officer is not entitled to indemnification, and to obtain directors and officers liability insurance whether or not the registrant would have the power to indemnify such director or officer under the applicable provisions of the registrants charter or bylaws. The registrant has directors and officers liability insurance and will obtain amended coverage in connection with this offering.

In addition, the registrant s certificate of incorporation provides that a director of the registrant shall not be personally liable to the registrant or its stockholders for monetary damages for breach of his or her fiduciary duty as a director, except for liability (1) for any breach of the director s duty of loyalty to the registrant or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a

knowing violation of law, (3) for willful or negligent conduct in paying dividends or repurchasing stock out of other than lawfully available funds, or (4) for any transaction from which the director derives an improper personal benefit.

Reference is made to Section 145 of the Delaware General Corporation Law which provides for indemnification of directors and officers in certain circumstances.

Under the terms of the underwriting agreement, the underwriters have agreed to indemnify, under certain conditions, the registrant, its directors, certain of its officers and persons who control the registrant within the meaning of the Securities Act of 1933.

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Item 15. Recent Sales of Unregistered Securities.

On May 22, 2002, EMJ issued $250 million worth of 9 3/4% Senior Secured Notes to Credit Suisse First Boston Corporation, Deutsche Bank Securities, Inc. and J. P. Morgan Securities. Discounts and commissions payable to these initial purchasers were $6.9 million in the aggregate. The 9 3/4% senior secured notes issued in the transaction described above were issued by us in reliance upon the exemption from registration available under Section 4(2) of the Securities Act, as a transaction by an issuer not involving a public offering, and the initial purchasers resold the Notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to persons outside the United States under Regulation S under the Securities Act. Appropriate legends were affixed to the Notes.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

1**	Form of Underwriting Agreement by and among Earle M. Jorgensen Company (the Company), Earle M. Jorgensen Holding Company, Inc. (Holding), Credit Suisse First Boston LLC and Goldman, Sachs & Co. on behalf of themselves and as representatives of the several underwriters.
2.1	Agreement and Plan of Merger, dated as of December 17, 2004, amended as of January 28, 2005, and further amended as of March 3, 2005, by and among Earle M. Jorgensen Company, Holding and EMJ Metals LLC. Incorporated by reference to Exhibit 2.1 to the Company s Amendment No. 5 to Registration Statement on Form S-4 as filed on March 11, 2005 (Registration No. 33-111882) (the Amendment No. 5 to the Company s 2004 Registration Statement).
2.2	Exchange Agreement, dated as of December 17, 2004, and amended as of March 3, 2005, by and among the Company, Holding, Kelso Investment Associates, L.P. (KIA I), Kelso Equity Partners II, L.P. (KEP II), KIA III-Earle M. Jorgensen, L.P. (KIA III-EMJ), and Kelso Investment Associates IV, L.P. (KIA IV). Incorporated by reference to Exhibit 2.2 to Amendment No. 5 to the Company s 2004 Registration Statement.
2.3	First Amendment to Agreement and Plan of Merger and Reorganization, dated as of January 28, 2005, by and among the Company, Holding and EMJ Metals LLC. Incorporated by reference to Exhibit 10.24 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2004 (the Company s December 31, 2004 Form 10-Q).
2.4	Second Amendment to Agreement and Plan of Merger and Reorganization, dated as of March 3, 2005, by and among the Company, Holding and EMJ Metals LLC. Incorporated by reference to Exhibit 2.4 to the Company s Amendment No. 4 to Registration Statement on Form S-4 as filed on March 8, 2005 (Registration No. 33-111882) (the Amendment No. 4 to the Company s 2004 Registration Statement).
2.5	First Amendment to Exchange Agreement, dated as of March 3, 2005, by and among the Company, Holding, KIA II, KEP II, KIA III-EMJ, and KIA I. Incorporated by reference to Exhibit 2.5 to Amendment No. 4 to the Company s 2004 Registration Statement.
3.1	Amended and Restated Certificate of Incorporation of the Company. Incorporated by reference to Exhibit 3.1 to Amendment No. 5 to the Company s 2004 Registration Statement.
3.2	Amended and Restated Bylaws of the Company. Incorporated by reference to Exhibit 3.2 to Amendment No. 5 to the Company s 2004 Registration Statement.
4.1	Specimen stock certificate representing the Company s common stock. Incorporated by reference to Exhibit 4.1 to the Company s Amendment No. 3 to Registration Statement on Form S-4 as filed on February 11, 2005 (Registration No. 33-111882) (the Amendment No. 3 to the Company s 2004 Registration Statement).
4.2	Form of Restructuring Agreement among Holding, the Company and KIA IV. Incorporated by reference to Exhibit 4.25 to Amendment No. 3 filed on March 3, 1993 to the Company s 1993 Registration Statement on Form S-1 as filed on January 15, 1993 (Registration No. 33-57134) (the Company s 1993 Registration Statement).

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4.3	Amendment to Restructuring Agreement, dated as of March 3, 1993, and amended as of March 24, 1998, by and between Holding and KIA IV. Incorporated by reference to Exhibit 4.8 to the Company s Annual Report on Form 10-K for the fiscal year end March 31, 1998.
4.4	Amendment to Restructuring Agreement, dated as of March 3, 1993, and amended as of May 22, 2002, by and between Holding and KIA IV. Incorporated by reference to Exhibit 4.3 to the Company s Annual Report on Form 10-K for the fiscal year end March 31, 2003 (the Company s 2003 Form 10-K).
4.5	Second Amendment to Restructuring Agreement, dated as of March 3, 1993, and amended as of May 22, 2002, by and between Holding and KIA IV. Incorporated by reference to Exhibit 4.4 to the Company s 2003 Form 10-K.
4.6	Third Amendment to Restructuring Agreement, dated as of March 3, 1993, and amended as of June 28, 2002, by and between Holding and KIA IV. Incorporated by reference to Exhibit 4.5 to the Company s 2003 Form 10-K.
4.7	Fourth Amendment to Restructuring Agreement, dated as of March 3, 1993, and amended as of September 30, 2002, by and between Holding and KIA IV. Incorporated by reference to Exhibit 4.6 to the Company s 2003 Form 10-K.
4.8	Fifth Amendment to Restructuring Agreement, dated as of March 3, 1993, and amended as of December 31, 2002, by and between Holding and KIA IV. Incorporated by reference to Exhibit 4.7 to the Company s 2003 Form 10-K.
4.9	Second Amended and Restated Credit Agreement, dated as of March 3, 1993, amended and restated as of March 24, 1998, and further amended and restated as of April 12, 2002 (the Credit Agreement), by and among the Company, Holding, Various Financial Institutions, BT Commercial Corporation, as agent, and Deutsche Bank Alex. Brown Incorporated, as Lead Arranger and Sole Book Runner. Incorporated by reference to Exhibit 4.16 to the Company s Registration Statement on Form S-4 as filed on July 3, 2002 (Registration No. 333-91866) (the Company s 2002 Registration Statement).
4.10	Form of Indenture with respect to the Company s 9¾% Senior Secured Notes due 2012. Incorporated by reference to Exhibit 4.17 to the Company s 2002 Registration Statement.
4.11	Form of certificate for the Company s 9¾% Senior Secured Notes, Series A, $248,435,000. Incorporated by reference to Exhibit 4.18(a) to the Company s 2002 Registration Statement.
4.12	Form of certificate for the Company s 9¾% Senior Secured Notes, Series A, $1,565,000. Incorporated by reference to Exhibit 4.18(b) to the Company s 2002 Registration Statement.
4.13	Purchase Agreement, dated as of May 17, 2002, by and among the Company, Credit Suisse First Boston Corporation, Deutsche Bank Securities, Inc. and J.P. Morgan Securities, Inc., for an aggregate of $250,000,000 in principal amount of the Company s 9¾% Senior Notes due 2012. Incorporated by reference to Exhibit 4.19 to the Company s 2002 Registration Statement.
4.14	First Amendment to the Credit Agreement and Consent, dated as of May 22, 2002, by and among the Company, Holding, the banks and other financial institutions signatory thereto and Deutsche Bank Trust Company Americas, as agent. Incorporated by reference to Exhibit 4.21 to the Company s 2002 Registration Statement.
4.15	Security Agreement, dated as of May 22, 2002, by and among the Company and other Grantors signatory thereto and The Bank of New York, as trustee. Incorporated by reference to Exhibit 4.22 to the Company s 2002 Registration Statement.
4.16	Intercreditor Amendment, dated as of May 22, 2002, by and among The Bank of New York, as Trustee under the Indenture with respect to the Company s 9¾% Senior Notes, and Deutsche Bank Trust Company Americas, as agent under the Credit Agreement. Incorporated by reference to Exhibit 4.23 to the Company s 2002 Registration Statement.

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4.17	Second Amendment to the Credit Agreement and Consent, dated as of February 19, 2004, by and among the Company, Holding, the banks and other financial institutions signatory thereto and Deutsche Bank Trust Company Americas, as agent. Incorporated by reference to Exhibit 4.17 to the Company s Form 10-K for the fiscal year ended March 31, 2004 (the Company s 2004 Form 10-K).
4.18	Consent to Increased Capital Expenditures, dated June 30, 2004, by and among the Company, Holding, the banks and other financial institutions signatory thereto and Deutsche Bank Trust Company Americas, as agent. Incorporated by reference to Exhibit 4.18 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2004.
4.19	Form of Amended and Restated Second Amendment to Second Amended and Restated Credit Agreement and Consents, dated as of December 14, 2004, by and among the Company, Holding, the banks and other financial institutions signatory thereto and Deutsche Bank Trust Company Americas, as agent. Incorporated by reference to Exhibit 4.17 to Amendment No. 2 to the Company s 2004 Registration Statement.
4.20	Consent to Payment of Advisory Fee, dated as of December 20, 2004, by and among the Company, Holding, the financial institutions party thereto and Deutsche Bank Trust Company, as agent. Incorporated by reference to Exhibit 4.1 to the Company s December 31, 2004 Form 10-Q.
4.21	Form of Third Amended and Restated Credit Agreement, dated as of March 3, 1993, amended and restated as of March 24, 1998, further amended and restated as of April 12, 2002, and further amended and restated as of March 3, 2005, by and among Holding, the Company, each of those financial institutions listed from time to time on Schedule I thereto, and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), acting as Agent (the Third Amended and Restated Credit Agreement). Incorporated by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K as filed on March 7, 2005.
4.22	Form of Borrower Reaffirmation and Amendment to Security Agreement, dated as of March 3, 2005, by and among the Company, Holding, each of those financial institutions listed from time to time on Schedule I to the Third Amended and Restated Credit Agreement, and Deutsche Bank Trust Company Americas, acting as Agent. Incorporated by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K as filed on March 7, 2005.
5**	Opinion of Katten Muchin Zavis Rosenman as to the legality of the securities being registered (including consent).
10.1	Stockholders Agreement, amended and restated as of September 14, 1990, by and among Holding, KIA III-EMJ, KIA IV, KEP II and the Management Stockholders and Other Investors named therein. Incorporated by reference to Exhibit 4.1 to Holding s Post-Effective Amendment No. 1 to Holding s Registration Statement on Form S-1 as filed on October 12, 1990 (Registration No. 33-35022).
10.2	Amendment to the Stockholders Agreement, dated as of January 20, 1992. Incorporated by reference to Exhibit 10.2 to Amendment No. 3 to the Company s 1993 Registration Statement.
10.3	Second Amendment to the Stockholders Agreement, dated as of September 30, 1994. Incorporated by reference to Exhibit 10.41 to Amendment No. 1 filed June 2, 1995, to Holding s Registration Statement on Form S-1 as filed on October 19, 1994 (Registration No. 33-85364).
10.4	Third Amendment to the Stockholders Agreement, dated as of July 23, 1998. Incorporated by reference to Exhibit 10.4 to the Company s 2003 Form 10-K.
10.5	Services Agreement, dated March 19, 1990, by and between EMJ Acquisition, Inc. and Kelso. Incorporated by reference to Exhibit 10.2 to Holding s Registration Statement on Form S-1 as filed May 30, 1990 (Registration No. 33-35022).
10.6	Holding s ESOP Trust Agreement. Incorporated by reference to Exhibit 10.32 to Holding s Annual Report on Form 10-K for the fiscal year ended March 31, 1991.

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10.7	Lease and Agreement, dated as of August 1, 1991, by and between Advantage Corporate Income Fund L.P. and the Company, relating to the sale and lease-back of Kilsby s Kansas City, Missouri property. Incorporated by reference to Exhibit 10.30 to Amendment No. 3 to the Company s 1993 Registration Statement.
10.8	Industrial Building Lease, dated as of October 16, 1991, by and between Ira Houston Jones and Helen Mansfield Jones, Roderick M. Jones and Cherilyn Jones, Roger G. Jones and Norma Jean Jones, Robert M. Jones and Olga F. Jones and the Company, relating to the sale and lease-back of the Alameda Street property in Lynwood, California. Incorporated by reference to Exhibit 10.32 to Amendment No. 3 to the Company s 1993 Registration Statement.
10.9	Stock Purchase Agreement, dated as of June 30, 1992, by and among Forge Acquisition Corporation, The Jorgensen Forge Corporation and the Company, relating to the sale of the Company s Forge division. Incorporated by reference to Exhibit 10.35 to Amendment No. 3 to the Company s 1993 Registration Statement.
10.10	Form of Management Agreement between the Company and Holding. Incorporated by reference to Exhibit 10.46 to Amendment No. 2 filed on February 24, 1993 to the Company s 1993 Registration Statement.
10.11	Form of Tax Allocation Agreement between the Company and Holding. Incorporated by reference to Exhibit 10.47 to Amendment No. 3 to the Company s 1993 Registration Statement.
10.12	Holding s 401(a)(17) Supplemental Contribution Plan, effective April 1, 1994. Incorporated by reference to Exhibit 10.54 to the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 1995 (the Company s 1995 Form 10-K).
10.13	Holding s Deferred Compensation Plan, effective April 1, 1994. Incorporated by reference to Exhibit 10.55 to the Company s 1995 Form 10-K.
10.14	Holding Stock Option Plan effective January 30, 1997. Incorporated by reference to Exhibit 10.57 to the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 1997 (the Company s 1997 Form 10-K).
10.15	Form of Holding Incentive and Non-Qualified Stock Option Agreement. Incorporated by reference to Exhibit 10.58 to the Company s 1997 Form 10-K.
10.16	Earle M. Jorgensen Company Management Incentive Compensation Plan. Incorporated by reference to Exhibit 10.62 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 1997.
10.17	Earle M. Jorgensen Company Employee Stock Ownership Plan, as amended and restated effective as of April 1, 2001. Incorporated by reference to Exhibit 10.57 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2002 (the Company s December 31, 2002 Form 10-Q).
10.18	First Amendment to the Earle M. Jorgensen Company Employee Stock Ownership Plan (as amended and restated effective as of April 1, 2001), effective as of January 15, 2002. Incorporated by reference to Exhibit 10.58 to the Company s December 31, 2002 Form 10-Q.
10.19	Second Amendment to the Earle M. Jorgensen Company Employee Stock Ownership Plan (as amended and restated effective as of April 1, 2001), effective as of April 1, 2001. Incorporated by reference to Exhibit 10.59 to the Company s December 31, 2002 Form 10-Q.
10.20	Third Amendment to the Earle M. Jorgensen Company Employee Stock Ownership Plan (as amended and restated effective as of April 1, 2001), effective as of January 1, 2002. Incorporated by reference to Exhibit 10.60 to the Company s December 31, 2002 Form 10-Q.
10.21	Registration Rights Agreement, dated as of May 17, 2002, by and among the Company, Credit Suisse First Boston Corporation, Deutsche Bank Securities, Inc. and J.P. Morgan Securities, Inc. Incorporated by reference to Exhibit 4.20 to the Company s 2002 Registration Statement.

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10.22	Fourth Amendment to the Earle M. Jorgensen Company Employee Stock Ownership Plan (as amended and restated effective as of April 1, 2001), effective as of April 1, 2003. Incorporated by reference to Exhibit 10.21 to the Company s 2003 Form 10-K.
10.23	Fifth Amendment to the Earle M. Jorgensen Employee Stock Ownership Plan (as amended and restated effective as of April 1, 2001), effective as of April 1, 2004. Incorporated by reference to Exhibit 10.23 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended September 29, 2004.
10.24	Lease and Agreement, dated as of September 1, 1991, by and between Advantage Corporate Income Fund L.P. and the Company, relating to the sale and lease-back of the Cincinnati, Ohio property. Incorporated by reference to Exhibit 10.31 to the Company s 1993 Registration Statement.
10.25	Amendment to Holding s Stock Bonus Plan Trust Agreement, dated as of November 18, 2003. Incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended November 15, 2003.
10.26	Form of Indemnification Agreement of the Company. Incorporated by reference to Exhibit 3.3 of Amendment No. 1 filed on April 8, 2004 to the Company s 2004 Registration Statement to the Company s Registration Statement on Form S-4 as filed on January 13, 2004 (Registration No. 33-111882) (the Company s 2004 Registration Statement).
10.27	Earle M. Jorgensen Company 2004 Stock Incentive Plan. Incorporated by reference to Exhibit 10.27 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.28	Form of Incentive Stock Option Grant Agreement under the Earle M. Jorgensen Company 2004 Stock Incentive Plan. Incorporated by reference to Exhibit 10.28 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.29	Form of Non-Qualified Stock Option Grant Agreement under the Earle M. Jorgensen Company 2004 Stock Incentive Plan. Incorporated by reference to Exhibit 10.29 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.30	Form of Restricted Stock Agreement under the Earle M. Jorgensen Company 2004 Stock Incentive Plan. Incorporated by reference to Exhibit 10.30 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.31	Form of Registration Rights Agreement by and among the Company, Maurice S. Nelson, Jr., KIA I, KEP II, KIA III-EMJ and KIA IV. Incorporated by reference to Exhibit 10.31 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.32	Form of Nominating Agreement by and among the Company, KIA I, KEP II, KIA III-EMJ and KIA IV. Incorporated by reference to Exhibit 10.32 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.33	Amendment to Advisory Agreement, dated as of December 17, 2004, by and between the Company and Kelso & Company, L.P. Incorporated by reference to Exhibit 10.33 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.34	Termination of Merger Agreement and Exchange Agreement, dated as of July 30, 2004. Incorporated by reference to Exhibit 10.28 to the Company s Quarterly Report on Form 10-Q Commission File No. 1-7537 for the fiscal quarter ended June 30, 2004.
10.35	Sixth Amendment to the Earle M. Jorgensen Company Employee Stock Ownership Plan (as amended and restated effective as of April 1, 2001), effective as of April 1, 2004. Incorporated by reference to Exhibit 10.35 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.36	Seventh Amendment to the Earle M. Jorgensen Stock Bonus Plan (as amended and restated effective as of April 1, 2001). Incorporated by reference to Exhibit 10.36 of Amendment No. 2 to the Company s 2004 Registration Statement.

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10.37	Supplemental SBP of Earle M. Jorgensen Holding Company, Inc., effective as of March 31, 2006. Incorporated by reference to Exhibit 10.37 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.38	Amended Consent Order and Release, dated as of December 12, 2004, by and among the Company, Holding, the Earle M. Jorgensen Employee Stock Ownership Plan, the Benefits Committee of Holding s Board of Directors, and the United States Department of Labor, as filed on January 3, 2005 with the United States District Court for the Central District of California. Incorporated by reference to Exhibit 10.38 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.39	Retention Bonus; Transfer Restrictions Letter, dated as of December 17, 2004, by and between the Company and Maurice S. Nelson, Jr. Incorporated by reference to Exhibit 10.39 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.40	Amendment to the Earle M. Jorgensen Holding Company, Inc. Option Plan, effective as of December 16, 2004. Incorporated by reference to Exhibit 10.40 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.41	Adjustment to Outstanding Stock Option Letter, dated as of December 17, 2004, by and between the Company and Maurice S. Nelson, Jr. Incorporated by reference to Exhibit 10.41 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.42	Form of Adjustment to Outstanding Stock Options Letter from the Company to Option Holders of Holding. Incorporated by reference to Exhibit 10.42 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.43	Form of Transfer Restriction Agreement. Incorporated by reference to Exhibit 10.43 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.44	Form of Disposition of Stock Options Letter from the Company to Option Holders of Holdings. Incorporated by reference to Exhibit 10.44 of Amendment No. 2 to the Company s 2004 Registration Statement.
10.45	Earle M. Jorgensen Company IPO Cash Bonus Plan. Incorporated by reference to Exhibit 10.23 to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2004.
12	Statement of Computation of Ratio of Earnings to Fixed Charges. Incorporated by reference to Exhibit 12 to Amendment No. 3 to the Company s 2004 Registration Statement.
21	Subsidiaries of the Company. Incorporated by reference to Exhibit 21 to the Company s Form 10-K for the fiscal year ended March 31, 2004.
23.1*	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
23.2**	Consent of Katten Muchin Zavis Rosenman.
24.1	Power of Attorney (previously filed on signature page of the initial filing of this Registration Statement).
24.2**	Power of Attorney executed by Joseph T. O Donnell, Jr.

* Included in this filing.
** Previously filed.

(b) Financial Statement Schedule

Schedule Number	Description of Schedules*
Schedule II	Valuation and Qualifying Accounts and Reserves

* All other schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

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EARLE M. JORGENSEN COMPANY

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Column A	Column B	Column C	Column D	Column E
Description	Balance at beginning of period	Charges to costs and expenses	Amounts charged off (net of recoveries)	Balance at end of period
Allowance for doubtful accounts				
Year ended March 31, 2002	$ 427,000	$ 2,434,000	$ (2,409,000)	$ 452,000
Year ended March 31, 2003	452,000	2,649,000	(2,711,000)	390,000
Year ended March 31, 2004	390,000	2,880,000	(2,669,000)	601,000
Reserve for inventory				
Year ended March 31, 2002	$ 2,231,000	$ 2,705,000	$ (2,411,000)	$ 2,525,000
Year ended March 31, 2003	2,525,000	2,321,000	(1,669,000)	3,177,000
Year ended March 31, 2004	3,177,000	1,123,000	(912,000)	3,388,000

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Item 17. Undertakings.

(1) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(2) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions referenced in Item 14 of this Registration Statement, or otherwise, the registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(3) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, (i) the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective and (ii) each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lynwood, and State of California on the 14th day of April, 2005.

EARLE M. JORGENSEN COMPANY

By: /s/ WILLIAM S. JOHNSON

William S. Johnson

Chief Financial Officer and Vice President

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed below by the following persons in the capacities indicated on April 14, 2005.

Signature	Title
*	Chairman of the Board and Director
David M. Roderick	
*	Chief Executive Officer, Chief Operating Officer and President and Director
Maurice S. Nelson, Jr.	(Principal Executive Officer)
/s/ WILLIAM S. JOHNSON	Chief Financial Officer, Vice President and Secretary
William S. Johnson	(Principal Financial Officer and Accounting Officer)
*	Director
Frank T. Nickell	
*	Director
William A. Marquard	
*	Director
Dr. John Rutledge	
*	Director
Earl L. Mason	
*	Director

David I. Wahrhaftig		
	*	Director
Joseph T. O Donnell, Jr.		

*By: /s/ William S. Johnson
William S. Johnson

(Attorney-in-fact)

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EXHIBIT INDEX

Exhibit Number	Description
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm