CASTLE A M & CO
Form 10-K
April 07, 2017

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

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
Commission File Number: 1-5415

A. M. CASTLE & CO.
(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code (847) 455-7111
Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock - $0.01 par value | OTCQB® Venture Market |

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

¨

Large Accelerated Filer ¨ Accelerated Filer

Non-Accelerated Filer ¨ Smaller Reporting Company x

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter is $34,364,029.

The number of shares outstanding of the registrant's common stock on March 24, 2017 was 32,482,533 shares.

Disclosure Regarding Forward-Looking Statements

Information provided and statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”), and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements only speak as of the date of this report and the Company assumes no obligation to update the information included in this report. Such forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy, and the cost savings and other benefits that we expect to achieve from our facility closures and organizational changes. These statements often include words such as “believe,” “expect,” “anticipate,” “intend,” “predict,” “plan,” “should,” or simila expressions. These statements are not guarantees of performance or results, and they involve risks, uncertainties, and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements, including those risk factors identified in Item 1A “Risk Factors” of this report. All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. Except as required by the federal securities laws, we do not have any obligations or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future, to reflect the occurrence of unanticipated events or for any other reason.

INDUSTRY AND MARKET DATA

In this report, we rely on and refer to information and statistics regarding the metal service center industry and general manufacturing markets. We obtained this information and these statistics from sources other than us, such as the Metals Service Center Institute, which we have supplemented where necessary with information from publicly available sources and our own internal estimates. Although we have not independently verified such information, we have used these sources and estimates and believe them to be reliable.

PART I

ITEM 1 — Business

In this annual report on Form 10-K, “the Company,” “we” or “our” refer to A. M. Castle & Co., a Maryland corporation, and its subsidiaries included in the consolidated financial statements, except as otherwise indicated or as the context otherwise requires.

Business and Markets

Company Overview

The Company is a specialty metals distribution company serving customers on a global basis. The Company provides a broad range of products and value-added processing and supply chain services to a wide array of customers. The Company's customers are principally within the producer durable equipment, aerospace, heavy industrial equipment, industrial goods, construction equipment, oil and gas, and retail sectors of the global economy. Particular focus is placed on the aerospace and defense, power generation, mining, heavy industrial equipment, and general manufacturing industries, as well as general engineering applications.

In March 2016, the Company completed the sale of substantially all the assets of its wholly-owned subsidiary, Total Plastics, Inc. ("TPI"). Prior to the sale of TPI, the Company had two reportable business segments, Metals and Plastics. Subsequent to the sale of TPI, which represented the Company's Plastics segment in its entirety, the Company has only one reportable business segment, Metals.

The Company’s corporate headquarters is located in Oak Brook, Illinois. As of December 31, 2016, the Company operates out of 21 service centers located throughout North America (16), Europe (3) and Asia (2). The Company's service centers hold inventory and process and distribute products to both local and export markets.

Industry and Markets

Service centers act as supply chain intermediaries between primary producers, which deal in bulk quantities in order to achieve economies of scale, and end-users in a variety of industries that require specialized products in significantly smaller quantities and forms. Service centers also manage the differences in lead times that exist in the supply chain. While original equipment manufacturers (“OEM”) and other customers often demand delivery within hours, the lead time required by primary producers can be as long as several months. Service centers provide value to customers by

aggregating purchasing, providing warehousing and distribution services to meet specific customer needs, including demanding delivery times and precise metal specifications, and by providing value-added metals processing services.
The principal markets served by the Company are highly competitive. Competition is based on service, quality, processing capabilities, inventory availability, timely delivery, ability to provide supply chain solutions and price. The Company competes in a highly fragmented industry. Competition in the various markets in which the Company participates comes from a large number of value-added metals processors and service centers on a regional and local basis, some of which have greater financial resources and some of which have more established brand names in the local, regional and global markets served by the Company.

The Company also competes to a lesser extent with primary metals producers who typically sell to larger customers requiring shipments of large volumes of metal.

In order to capture scale efficiencies and remain competitive, many primary metal producers are consolidating their operations and focusing on their core production activities. These producers have increasingly outsourced metals distribution, inventory management and value-added metals processing services to metals service centers. This process of outsourcing allows them to work with a relatively small number of intermediaries rather than many end customers. As a result, metals service centers, including the Company, are now providing a range of services for their customers, including metal purchasing, processing and supply chain solutions.

The Company’s marketing strategy focuses on distributing highly engineered specialty grades and alloys of metals as well as providing specialized processing services designed to meet very precise specifications. Core products include alloy, aluminum, nickel, stainless steel, carbon and titanium. Inventories of these products assume many forms such as plate, sheet, extrusions, round bar, hexagon bar, square and flat bar, tubing and coil. Depending on the size of the facility and the nature of the markets it serves, the Company's service centers are equipped as needed with bar saws, plate saws, oxygen and plasma arc flame cutting machinery, trepanning machinery, boring machinery, honing equipment, water-jet cutting equipment, stress relieving and annealing furnaces, surface grinding equipment, CNC machinery, and sheet shearing and cut-to-length equipment. Various specialized fabrications are also performed for customers through pre-qualified subcontractors that thermally process, turn, polish, cut-to-length and straighten alloy and carbon bar.

Procurement

The Company purchases metals from many producers. Material is purchased in large lots and stocked at its service centers until sold, usually in smaller quantities and typically with some value-added processing services performed. The Company’s ability to provide quick delivery of a wide variety of specialty metals products, along with its processing capabilities and supply chain management solutions, allows customers to lower their own inventory investment by reducing their need to order the large quantities required by producers and their need to perform additional material processing services. Some of the Company’s purchases are covered by long-term contracts and commitments, which generally have corresponding customer sales agreements.

Thousands of customers from a wide array of industries are serviced primarily through the Company’s own sales organization. Orders are primarily filled with materials shipped from Company stock. The materials required to fill the balance of sales are obtained from other sources, such as purchases from other distributors or direct mill shipments to customers. Deliveries are made principally by the Company’s fleet contracted through third party logistics providers. Common carrier delivery is used in areas not serviced directly by the Company’s fleet. The Company’s broad network of locations provides same or next-day delivery to most of their markets, and two-day delivery to substantially all of the remaining markets.

Customers

The Company’s customer base is well diversified and therefore, the Company does not have dependence upon any single customer, or a few customers. The customer base includes many Fortune 500 companies as well as thousands of medium- and smaller-sized firms.

For information on the Company's net sales by geographic area, see Note 14 - Segment Reporting within the notes to the Company's Consolidated Financial Statements appearing elsewhere in this annual report on Form 10-K.

Employees

As of December 31, 2016, the Company had 908 full-time employees. Of these full-time employees, 123 were represented by the United Steelworkers of America under collective bargaining agreements.

Joint Venture

The Company held a 50% joint venture interest in Kreher Steel Company, LLC (“Kreher”), a national distributor and processor of carbon and alloy steel bar products, headquartered in Melrose Park, Illinois, until the Company sold its ownership share to its joint venture partner in August 2016. The Company’s equity in the earnings (losses) of this joint venture is reported separately in the Company’s Consolidated Statements of Operations and Comprehensive Loss. For information on the Company's sale of its ownership share of Kreher, see Note 3 - Joint Venture within the notes to the Company's Consolidated Financial Statements appearing elsewhere in this annual report on Form 10-K.

Access to SEC Filings

The Company makes available free of charge on or through its Web site at www.castlemetals.com the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the U.S. Securities and Exchange Commission (the “SEC”). Information on our website does not constitute part of this annual report on Form 10-K.

ITEM 1A — Risk Factors

(Dollar amounts in millions, except per share data)

Our business, financial condition, results of operations, and cash flows are subject to various risks, many of which are not exclusively within our control that may cause actual performance to differ materially from historical or projected future performance. Any of the following risks, as well as other risks and uncertainties not currently known to us or that we currently consider to be immaterial, could materially and adversely affect our business, financial condition, results of operations, or cash flows.

Our substantial level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under our debt instruments.

We have substantial debt service obligations. As of December 31, 2016, we had approximately $298.9 million of total debt outstanding, excluding capital lease obligations of $0.1 million, all of which is secured. The debt outstanding, in order of priority, was comprised of $99.5 million of borrowings against our new 11.0% secured credit facilities due 2018 (the “Credit Facilities”), $177.0 million aggregate principal amount of 12.75% Senior Secured Notes due 2018 (the "New Secured Notes"), $22.3 million aggregate principal amount of 5.25% Senior Secured Convertible Notes due 2019 (the "New Convertible Notes"), and approximately $0.1 million aggregate principal amount of 7.0% Convertible Notes due 2017 (the "Convertible Notes"). In December 2016, we entered into the Credit Facilities with certain financial institutions in order to replace and repay outstanding borrowings and support the continuance of letters of credit under our former senior secured asset-based revolving credit facility. The Credit Facilities are in the form of senior secured first lien term loan facilities in an aggregate principal amount of up to $112.0 million. The Credit Facilities consist of a $75.0 million initial term loan facility funded at closing and a $37.0 million delayed-draw term loan facility (the “Delayed Draw Facility”). Under the Delayed Draw Facility, $24.5 million was available in December 2016 and $12.5 million is expected to become available in June 2017 or thereafter. In December 2016, we borrowed the $24.5 million of the Delayed Draw Facility available in accordance with its terms.

Our substantial level of indebtedness could have significant effects on our business, including the following:

- it may be more difficult for us to satisfy our financial obligations;
- our ability to obtain additional financing for working capital, capital expenditures, strategic acquisitions or general corporate purposes may be impaired;
- we must use a substantial portion of our cash flow from operations to pay interest on our indebtedness, which will reduce the funds available to use for operations and other purposes, including potentially accretive acquisitions;
- our ability to fund a change of control offer under our debt instruments may be limited;
- our substantial level of indebtedness could place us at a competitive disadvantage compared to our competitors that may have proportionately less debt;
- our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate may be limited; and
- our substantial level of indebtedness may make us more vulnerable to economic downturns and adverse developments in our business.

We expect to obtain the funds to pay our expenses and to satisfy our debt obligations from our operations and available resources under the Credit Facilities. Our ability to meet our expenses and make these principal and interest payments as they come due, therefore, depends on our future performance, which will be affected by financial, business, economic and other factors, many of which we cannot control. Our business may not generate sufficient cash flow from operations in the future, and our anticipated revenue and cash flow may not be realized, either or both of which could result in our being unable to repay indebtedness or to fund other liquidity needs. If we do not have enough funds, we may be required to refinance all or part of our then existing debt, sell assets or borrow more funds, which we may not be able to accomplish on terms acceptable to us, or at all. In addition, the terms of existing or future debt agreements may restrict us from pursuing any of these alternatives which could have an adverse effect on our financial condition or liquidity.

We may not be able to generate sufficient cash to service all of our existing debt service obligations, and may be forced to take other actions to satisfy our obligations under our debt agreements, which may not be successful.

Our total outstanding debt under our New Secured Notes, New Convertible Notes, Convertible Notes, and Credit Facilities has an aggregate principal amount of $298.9 million as of December 31, 2016. Through September 2018, when our Credit Facilities borrowings presently become due, our debt service obligations on such debt will be primarily limited to interest payments. Our ability to make scheduled payments on or to refinance our debt obligations depends on our future financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. Therefore, we may not be able to maintain or realize a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

Our principal sources of liquidity are cash flows from operations and availability under our Credit Facilities. We currently plan that we will have sufficient cash flows from our operations to continue as a going concern, however, these plans rely on certain underlying assumptions and estimates that may differ from actual results. Such assumptions include improvements in operating results and cash flows driven by the restructuring activities we completed in 2015 and 2016, which streamlined our organizational structure, lowered operating costs and increased liquidity. Continued losses from operations and insufficient cash flow from operations in the future could have a material adverse effect on our liquidity and financial condition and could raise substantial doubt about our ability to continue as a going concern.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments, capital expenditures or potentially accretive acquisitions, sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous borrowing covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of principal and interest on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness or the terms thereof. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations which could have an adverse effect on our financial condition or liquidity.

Our debt instruments impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and taking certain actions 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.
Our debt agreements impose, and future debt agreements may impose, operating and financial restrictions on us. These restrictions limit or prohibit, among other things, our ability to:

- incur additional indebtedness unless certain financial tests are satisfied, or issue disqualified capital stock;
- pay dividends, redeem subordinated debt or make other restricted payments;
- make certain investments or acquisitions;
- issue stock of subsidiaries;
- grant or permit certain liens on our assets;
- enter into certain transactions with affiliates;
- merge, consolidate or transfer substantially all of our assets;
- incur dividend or other payment restrictions affecting certain of our subsidiaries;
- transfer, sell or acquire assets, including capital stock of our subsidiaries; and
- change the business we conduct.

These covenants could adversely affect our ability to finance our future operations or capital needs, withstand a future downturn in our business or the economy in general, engage in business activities, including future opportunities that may be in our interest, and plan for or react to market conditions or otherwise execute our business strategies. A breach of any of these covenants could result in a default in respect of the related indebtedness. If a default occurs, in certain circumstances, the relevant lenders or holders of such indebtedness could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and proceed against any collateral securing that indebtedness. If the maturity of our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and may not be able to continue our operations as planned.
Our future operating results are impacted by the volatility of the prices of metals, which could cause our results to be adversely affected.
The prices we pay for metal raw materials and the prices we charge for products may fluctuate depending on many factors, including general economic conditions (both domestic and international), competition, production levels, import duties and other trade restrictions and currency fluctuations. To the extent metal prices decline, we would generally expect lower sales, pricing and possibly lower operating income. Depending on the timing of the price changes and to the extent we are not able to pass on to our customers any increases in our metal raw materials prices, our operating results may be adversely affected. In addition, because we maintain substantial inventories of metals in order to meet short lead-times and the just-in-time delivery requirements of our customers, a reduction in our selling prices could result in lower profitability or, in some cases, losses, either of which could adversely impact our ability to remain in compliance with certain provisions of our debt instruments, as well as result in us incurring impairment charges.
We may not achieve all of the expected benefits from our restructuring and performance enhancement initiatives.
In April 2015, we announced an operational restructuring plan that was completed in May 2016. The organizational changes completed as part of this most recent restructuring plan included workforce reductions and the consolidations of facilities in locations deemed to have redundant operations. The consolidations and organizational changes were part of our plan to streamline the organizational structure, lower structural operating costs, and increase liquidity. With regards to our most recent restructuring plan, as well as previous restructuring plans completed in 2013 and 2014, we have made certain assumptions in estimating the anticipated impact of these restructuring and performance enhancement initiatives. These assumptions may turn out to be incorrect due to a variety of factors. In addition, our ability to realize the expected benefits from these initiatives is subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control. Some of our cost saving measures may not have the impact on our operating profitability that we currently project. If we are unsuccessful in

implementing these initiatives or if we do not achieve our expected results, our results of operations and cash flows could be materially adversely affected.

We are continuing to evaluate various additional restructuring and strategic alternatives designed to further reduce long-term debt and cash interest obligations, the timing and outcome of which are highly uncertain and could be dilutive to the holders of our outstanding equity securities and adversely affect the trading prices and values of our current debt and equity securities.

We believe that reduction in our long-term debt and cash interest obligations would strengthen our financial position and flexibility and therefore remains a key near-term financial objective. Accordingly, we expect to continue to explore, evaluate and implement various restructuring and strategic alternatives, whether through seeking additional capital, restructuring or refinancing our indebtedness, debt repurchases, exchanges of existing debt securities for new debt securities and exchanges or conversions of existing debt securities for new equity securities, or other options. The timing and outcome of these efforts currently is highly uncertain. One or more of these alternatives could potentially be consummated without the consent of any one or more of our current security holders and, if consummated, could be dilutive to the holders of our outstanding equity securities and adversely affect the trading prices and values of our current debt and equity securities.

Our common stock was delisted in early 2017 by the New York Stock Exchange (the "NYSE") for failing to satisfy the NYSE continued listing standards, and our common stock is now traded on the OTCQB® Venture Market (the "OTCQB"), which could have an adverse impact on the market price and liquidity of our common stock and could involve additional risks compared to being listed on a national securities exchange.

On December 6, 2016, we were notified by the NYSE that it had determined to commence proceedings to delist our common stock from the NYSE as a result of our failure to comply with the continued listing standard set forth in Section 802.01B of the NYSE Listed Company Manual to maintain an average global market capitalization over a consecutive 30 trading-day period of at least $15 million for our common stock. The NYSE also suspended the trading of our common stock at the close of trading on December 6, 2016. On January 4, 2017, the NYSE filed a Form 25 with the SEC to delist the Company from the NYSE. Such delisting became effective on January 17, 2017.

While we had the ability to appeal the decision by the NYSE, our Board of Directors determined that it was in our best interest and the best interest of our shareholders to begin trading on the over-the-counter (the "OTC") market following the suspension of trading of our common stock. On December 7, 2016, our common stock immediately began trading on the OTCQB, which is operated by OTC Markets Group Inc., under the symbol “CASL”.

The trading of our common stock in the OTC market rather than NYSE may negatively impact the trading price of our common stock and the levels of liquidity available to our shareholders. Securities traded in the OTC market generally have less liquidity due to factors such as the reduced number of investors that will consider investing in the securities, the reduced number of market makers in the securities, and the reduced number of securities analysts that follow such securities. As a result, holders of shares of our common stock may find it difficult to resell their shares at prices quoted in the market or at all.

Furthermore, because of the limited market and generally low volume of trading in our common stock that could occur, the share price of our common stock could be more likely to be affected by broad market fluctuations, general market conditions, fluctuations in our operating results, changes in the markets perception of our business, and announcements made by us, our competitors, or parties with whom we have business relationships.

Because our common stock trades on the OTC market, in some cases, we may be subject to additional compliance requirements under applicable state laws in the issuance of our securities. The lack of liquidity in our common stock may also make it difficult for us to issue additional securities for financing or other purposes, or to otherwise arrange for any financing we may need in the future. Accordingly, we urge that extreme caution be exercised with respect to existing and future investments in our common stock.

Holders of our Senior Secured Convertible Notes (the "New Convertible Notes") can require us to repurchase their New Convertible Notes following a fundamental change, which includes, among other things, the acquisition of more than 50% of our outstanding voting power by a person or group. We may not have sufficient funds to satisfy such cash obligations.

As of December 31, 2016, we had approximately $22.3 million of aggregate principal amount outstanding under the New Convertible Notes. The New Convertible Notes bear cash interest semiannually at a rate of 5.25% per year, and mature on December 30, 2019. Upon the occurrence of a fundamental change (as defined in the indenture for the New Convertible Notes), which includes the acquisition of more than 50% of our outstanding voting power by a person or group, we may be required to repurchase some or all of the Convertible Notes for cash at a repurchase price equal to 100% of the principal amount of the Convertible Notes being repurchased, plus any accrued and unpaid interest up to but excluding the relevant fundamental change repurchase date. We may not have sufficient funds to satisfy such cash obligations and, in such circumstances, may not be able to arrange the necessary financing on favorable terms or at all. In addition, our ability to satisfy such cash obligations will be restricted pursuant to covenants contained in the indenture for the New Convertible Notes and will be permitted to be paid only in limited circumstances. We may also be limited in our ability to satisfy such cash obligations by applicable law or the terms of other instruments governing our indebtedness. Our inability to make any cash payments that may be required to satisfy the obligations described above would trigger an event of default under the New Convertible Notes, which in turn could constitute an event of default under our other outstanding indebtedness, thereby potentially resulting in the acceleration of certain of such indebtedness, the prepayment of which could further restrict our ability to satisfy such cash obligations.

The exercise of our outstanding warrants for common stock and the conversion of our New Convertible Notes into common stock will dilute the ownership interest of our existing shareholders.

Any issuance by us of our common stock upon exercise of our outstanding warrants or conversion of our New Convertible Notes will dilute the ownership interest of our existing shareholders. In addition, any such issuance of common stock could have a dilutive effect on our net income per share to the extent that the average stock price during the period is greater than the conversion prices and exercise prices of the New Convertible Notes and warrants, respectively. Furthermore, any sales in the public market of our common stock upon exercise of the warrants or sales in the public market of our common stock issuable upon conversion of the New Convertible Notes could adversely affect prevailing market prices of our common stock.

We service industries that are highly cyclical, and any downturn in our customers' industries could reduce our revenue and profitability.

Many of our products are sold to customers in industries that experience significant fluctuations in demand based on economic conditions, energy prices, consumer demand, availability of adequate credit and financing, customer inventory levels, changes in governmental policies and other factors beyond our control. As a result of this volatility in the industries we serve, when one or more of our customers' industries experiences a decline, we may have difficulty increasing or maintaining our level of sales or profitability if we are not able to divert sales of our products to customers in other industries. Historically, we have made a strategic decision to focus sales resources on certain industries, specifically the aerospace, oil and gas, heavy equipment, machine tools and general industrial equipment industries. A downturn in these industries has had, and may in the future continue to have, an adverse effect on our operating results. We are also particularly sensitive to market trends in the manufacturing sectors of the North American economy. In 2015, the downturn in the oil and gas sector had a significant impact on our financial results as sales to customers which operate in that market were significantly lower than they had been previously. In February 2016, we announced the sale of all inventory from our Houston and Edmonton facilities that primarily serviced the oil and gas sector. With this sale and the subsequent closure of the Houston and Edmonton facilities, we significantly lowered our exposure to oil-related market fluctuations. Going forward, we will be primarily focused on two key industries, aerospace and industrial.

A portion of our sales, particularly in the aerospace industry, are related to contracts awarded to our customers under various U.S. Government defense-related programs. Significant changes in defense spending, or in government priorities and requirements could impact the funding, or the timing of funding, of those defense programs, which could negatively impact our results of operations and financial condition. The level of U.S. spending for defense, alternative energy and other programs to which such funding is allocated, is subject to periodic congressional appropriation actions, including the sequestration of appropriations in fiscal years 2013 and after, under the Budget Control Act of 2011, and is subject to change at any time.

Our industry is highly competitive, which may force us to lower our prices and may have an adverse effect on our operating results.

The principal markets that we serve are highly competitive. Competition is based principally on price, service, quality, processing capabilities, inventory availability and timely delivery. We compete in a highly fragmented industry. Competition in the various markets in which we participate comes from a large number of value-added metals processors and service centers on a regional and local basis, 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. We also compete to a lesser extent with primary metals producers who typically sell to very large customers requiring shipments of large volumes of metal. Increased competition could force us to lower our prices or to offer increased services at a higher cost to us, which could have an adverse effect on our operating results.

Our operating results are subject to the seasonal nature of our customers' businesses.

A portion of our customers experience seasonal slowdowns. Historically, our revenues in the months of July, November and December have been lower than in other months because of a reduced number of shipping days and holiday or vacation closures for some customers. Dependent on market and economic conditions, our sales in the first two quarters of the year, therefore, can be higher than in the third and fourth quarters due to this seasonality. As a result, analysts and investors may inaccurately estimate the effects of seasonality on our operating results in one or more future quarters and, consequently, our operating results may fall below expectations.

An additional impairment or restructuring charge could have an adverse effect on our operating results.

We continue to evaluate opportunities to reduce costs and improve operating performance. These actions could result in restructuring and related charges, including but not limited to asset impairments, employee termination costs, charges for pension benefits, and pension curtailments, which could be significant and could adversely affect our financial condition and results of operations.

We have a significant amount of long-lived assets. We review the recoverability of long-lived assets whenever significant events or changes occur which might impair the recovery of recorded costs, making certain assumptions regarding future operating performance. The results of these calculations may be affected by the current demand and any decline in market conditions for our products, as well as interest rates and general economic conditions. If impairment is determined to exist, we will incur impairment losses, which may have an adverse effect on our operating results.

Our ability to use our net operating loss carryforwards (NOLs) may be limited.

We have incurred substantial losses since 2008. We may not generate future taxable income so that we can use our available net operating loss carryforwards, or NOLs, as an offset. As of December 31, 2016, we had U.S. federal NOLs of $197.9 million. The $197.9 million in U.S. federal NOLs will expire in various years beginning with 2032. We have determined that an ownership shift of greater than fifty percent occurred in 2015. As such, it is expected that a portion of the pre- ownership shift NOLs will be subject to a Section 382 limitation that will act to prevent the Company from utilizing all of its losses against future taxable income. We experienced another ownership change in 2016, and we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership that we cannot predict or control that could result in further limitations being placed on our ability to utilize our federal NOLs. As of December 31, 2016, we have a full valuation allowance against our federal and state NOLs.

Disruptions or shortages in the supply of raw materials could adversely affect our operating results and our ability to meet our customers' demands.

Our business requires materials that are sourced from third party suppliers. If, for any reason, our primary suppliers of metals should curtail or discontinue their delivery of raw materials to us at competitive prices and in a timely manner, our operating results could suffer. Unforeseen disruptions in our supply bases could materially impact our ability to deliver products to customers. The number of available suppliers could be reduced by factors such as industry consolidation and bankruptcies affecting metals producers, or suppliers may be unwilling or unable to meet our demand due to industry supply conditions. If we are unable to obtain sufficient amounts of raw materials from our traditional suppliers, we may not be able to obtain such raw materials from alternative sources at competitive prices to meet our delivery schedules, which could have an adverse impact on our operating results. To the extent we have quoted prices to customers and accepted orders for products prior to purchasing necessary raw materials, or have existing contracts, we may be unable to raise the price of products to cover all or part of the increased cost of the raw materials to our customers.

In some cases the availability of raw materials requires long lead times. As a result, we may experience delays or shortages in the supply of raw materials. If we are unable to obtain adequate and timely deliveries of required raw materials, we may be unable to timely supply customers with sufficient quantities of products. This could cause us to lose sales, incur additional costs, or suffer harm to our reputation, all of which may adversely affect our operating results.

Increases in freight and energy prices would increase our operating costs and we may be unable to pass these increases on to our customers in the form of higher prices, which may adversely affect our operating results.

We use energy to process and transport our products. The prices for and availability of energy resources are subject to volatile market conditions, which are affected by political, economic and regulatory factors beyond our control. Our operating costs increase if energy costs, including electricity, diesel fuel and natural gas, rise. During periods of higher freight and energy costs, we may not be able to recover our operating cost increases through price increases without reducing demand for our products. In addition, we typically do not hedge our exposure to higher freight or energy prices.

We operate in international markets, which expose us to a number of risks.
Although a majority of our business activity takes place in the United States, we serve and operate in certain international markets, which exposes us to political, economic and currency related risks, including the following:
- potential for adverse change in the local political or social climate or in government policies, laws and regulations;
- difficulty staffing and managing geographically diverse operations and the application of foreign labor regulations;
- restrictions on imports and exports or sources of supply;
- currency exchange rate risk; and
- changes in duties and taxes.

In addition to the United States, we operate in Canada, Mexico, France, the United Kingdom, Singapore, and China. An act of war or terrorism or major pandemic event could disrupt international shipping schedules, cause additional delays in importing or exporting products into or out of any of these countries, including the United States, or increase the costs required to do so. In addition, acts of crime or violence in these international markets could adversely affect our operating results. Fluctuations in the value of the U.S. dollar versus foreign currencies could reduce the value of these assets as reported in our financial statements, which could reduce our stockholders' equity. If we do not adequately anticipate and respond to these risks and the other risks inherent in international operations, it could have a material adverse impact on our operating results.
Political and economic uncertainty arising from the outcome of the recent referendum on the membership of the United Kingdom in the European Union could adversely impact our financial condition and operating results.
On June 23, 2016, the United Kingdom voted to leave the European Union (the “EU”), which triggered short-term financial volatility, including a decline in the value of the British pound in comparison to both the U.S. dollar and the euro. Before the United Kingdom leaves the EU, a process of negotiation is required to determine the future terms of the United Kingdom’s relationship with the EU. The uncertainty before, during and after the period of negotiation could have a negative economic impact and result in further volatility in the markets for several years. Such ongoing uncertainty may result in various economic and financial consequences for businesses operating in the United Kingdom, the EU and beyond.
During the year ended December 31, 2016, approximately 5% of our consolidated net sales were attributable to operations in the United Kingdom, and approximately 12% of our consolidated net sales were attributable to operations in Europe overall. The Company and its various subsidiaries hold financial assets and liabilities denominated in British pounds, including cash and cash equivalents, accounts receivable, and accounts payable, and the future impacts of the United Kingdom's exit from the EU could have a materially adverse impact on our financial condition and operating results.
A portion of our workforce is represented by collective bargaining units, which may lead to work stoppages.
As of December 31, 2016, approximately 20% of our U.S. employees were represented by the United Steelworkers of America ("USW") under collective bargaining agreements, including hourly warehouse employees at our distribution centers in Cleveland, Ohio and Hammond, Indiana. As these agreements expire, there can be no assurance that we will succeed in concluding collective bargaining agreements with the USW to replace those that expire. Although we believe that our labor relations have generally been satisfactory, we cannot predict how stable our relationships with the USW will be or whether we will be able to meet the USW requirements without impacting our operating results and financial condition. The USW may also limit our flexibility in dealing with our workforce. Work stoppages and instability in our relationship with the USW could negatively impact the timely processing and shipment of our products, which could strain relationships with customers or suppliers and adversely affect our operating results. On October 1, 2014, we entered into a four-year collective bargaining agreement with the USW, which covers approximately 101 employees at our largest facility in Cleveland, Ohio. This agreement is scheduled to expire in September 2018, and our goal is to engage in early negotiations in the spring of 2018 to secure another four-year agreement and avoid disruption to the business. Approximately 22 employees at our Hammond, Indiana facility are covered by a separate collective bargaining agreement with the USW that was renegotiated in August 2016 and expires in August 2020.

We rely upon our suppliers as to the specifications of the metals we purchase from them.
We rely on mill or supplier certifications that attest to the physical and chemical specifications of the metals received from our suppliers for resale and generally, consistent with industry practice, do not undertake independent testing of such metals. We rely on our customers to notify us of any product that does not conform to the specifications certified by the supplier or ordered by the customer. Although our primary sources of products have been domestic suppliers,

we have and will continue to purchase product from foreign suppliers when we believe it is appropriate. In the event that metal purchased from domestic suppliers is deemed to not meet quality specifications as set forth in the mill or supplier certifications or customer specifications, we generally have recourse against these suppliers for both the cost of the products purchased and possible claims from our customers. However, such recourse will not compensate us for the damage to our reputation that may arise from sub-standard products and possible losses of customers. Moreover, there is a greater level of risk that similar recourse will not be available to us in the event of claims by our customers related to products from foreign suppliers that do not meet the specifications set forth in the mill or supplier certifications. In such circumstances, we may be at greater risk of loss for claims for which we do not carry, or do not carry sufficient, insurance.

Our business could be adversely affected by a disruption to our primary distribution hubs.

Our largest facilities, in Cleveland, Ohio, and Hammond, Indiana, as well as our facility in Janesville, Wisconsin, serve as primary distribution centers that ship product to our other facilities as well as external customers. Our business could be adversely impacted by a major disruption at any of these facilities due to unforeseen developments occurring in or around the facility, such as:

- damage to or inoperability of our warehouse or related systems;
- a prolonged power or telecommunication failure;
- a natural disaster, environmental or public health issue, or an act of war or terrorism on-site.

A prolonged disruption of the services and capabilities of these or other of our facilities could adversely impact our operating results.

Damage to or a disruption in our information technology systems could impact our ability to conduct business and could subject us to liability for failure to comply with privacy and information security laws.

Difficulties associated with the design and implementation of our enterprise resource planning ("ERP") or other information technology systems could adversely affect our business, our customer service and our operating results. We rely primarily on one information technology system to provide inventory availability to our sales and operating personnel, improve customer service through better order and product reference data and monitor operating results. Difficulties associated with upgrades or integration with new systems could lead to business interruption that could harm our reputation, increase our operating costs and decrease profitability. In addition, any significant disruption relating to our current information technology systems, whether resulting from such things as fire, flood, tornado and other natural disasters, power loss, network failures, loss of data, security breaches and computer viruses, or otherwise, may have an adverse effect on our business, our operating results and our ability to report our financial performance in a timely manner.

The success of our business depends on the security of our networks and, in part, on the security of the network infrastructures of our third-party vendors. In connection with conducting our business in the ordinary course, we store and transmit limited amounts of customer, vendor, and employee information, including account or credit card information, and other personally identifiable information. Unauthorized or inappropriate access to, or use of, our networks, computer systems or services, whether intentional, unintentional or as a result of criminal activity, could potentially jeopardize the security of this confidential information. A number of other companies have publicly disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their networks. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the perception of the effectiveness of our security measures could be harmed and we could lose employees, customers, or vendors. A party that is able to circumvent our security measures could misappropriate our proprietary information or the information of our customers, vendors, or employees, cause interruption in our operations, or damage our computers or those of our customers or vendors which could expose us to claims from such persons or from regulators, financial institutions or others with whom we do business, any of which could have an adverse impact on our financial condition and results of operations.

We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Security breaches, including any breach related to us or the parties with which we have commercial relationships, could damage our reputation and expose us to a risk of loss, litigation, and possible liability. We cannot give assurance that the security measures we take will be effective in preventing these types of activities. We also cannot give assurance that the security measures of our third-party vendors, including network providers, providers of customer and vendor support services, and other vendors, will be adequate. In addition to potential legal liability, these activities may adversely impact our reputation or our revenues and may interfere with our ability to provide our products and services, all of which could adversely impact our business.

Ownership of our stock is concentrated, which may limit stockholders' ability to influence corporate matters.

From time to time, the Company has experienced concentrations of ownership among institutional investors and/or hedge funds. As of December 31, 2016, based on filings made with the SEC and other information made available to us as of that date, we believe one of our directors, Jonathan B. Mellin, through his affiliation with W. B. & Co., may be deemed to beneficially own approximately 35% of our common stock. Accordingly, Mr. Mellin and his affiliates, and/or any other concentrated ownership interests may have the voting power to substantially affect or control the outcome of matters requiring a stockholder vote including the election of directors and the approval of significant corporate matters. Such a concentration of control could adversely affect the market price of our common stock or prevent a change in control or other business combinations that might be beneficial to us.

We could be vulnerable to interest rate fluctuations on our indebtedness, which could hurt our operating results.

We are exposed to various interest rate risks that arise in the normal course of business. Market risk arises from changes in interest rates. We currently finance our operations with fixed rate borrowings, and the market value of our $298.9 million of fixed rate borrowings may be impacted by changes in interest rates. Historically, we have financed our operations with variable rate borrowings in addition to fixed rate borrowings. If, in the future, we use variable rate borrowings to finance our operations, and interest rates subsequently increase significantly, it could have an adverse effect on our operating results and liquidity.

Commodity hedging transactions may expose us to loss or limit our potential gains.

We have entered into certain fixed price sales contracts with customers which expose us to risks associated with fluctuations in commodity prices. As part of our risk management program, we may use financial instruments from time-to-time to mitigate all or portions of these risks, including commodity futures, forwards or other derivative instruments. While intended to reduce the effects of the commodity price fluctuations, these transactions may limit our potential gains or expose us to losses. Also, should our counterparties to such transactions fail to honor their obligations due to financial distress, we would be exposed to potential losses or the inability to recover anticipated gains from these transactions.

We may face risks associated with current or future litigation and claims.

From time to time, we are involved in a variety of lawsuits, claims and other proceedings relating to the conduct of our business. These suits concern issues including contract disputes, employment actions, employee benefits, taxes, environmental, health and safety, personal injury and product liability matters. Due to the uncertainties of litigation, we can give no assurance that we will prevail on all claims made against us in the lawsuits that we currently face or that additional claims will not be made against us in the future. While it is not feasible to predict the outcome of all pending lawsuits and claims, we do not believe that the disposition of any such pending matters is likely to have a materially adverse effect on our financial condition or liquidity, although the resolution in any reporting period of one of more of these matters could have an adverse effect on our operating results for that period. Also, we can give no assurance that any other lawsuits or claims brought in the future will not have an adverse effect on our financial condition, liquidity or operating results.

We could incur substantial costs in order to comply with, or to address any violations under, environmental and employee health and safety laws, which could adversely affect our operating results.

Our operations are subject to various environmental statutes and regulations, including laws and regulations governing materials we use and our facilities. In addition, certain of our operations are subject to international, federal, state and local environmental laws and regulations that impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid and hazardous wastes. 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. Certain of our facilities are located in industrial areas, have a history of heavy industrial use and have been in operation for many years and, over time, we and other predecessor operators of these facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Currently unknown cleanup obligations at these facilities, or at off-site locations at which materials from our operations were disposed, could result in future expenditures that cannot be currently quantified, but which could have a material adverse effect on our financial condition, liquidity or operating results.

Potential environmental legislative and regulatory actions could impose significant costs on the operations of our customers and suppliers, which could have a material adverse impact on our results of operations, financial condition and cash flows.
Climate change regulation or some form of legislation aimed at reducing greenhouse gas ("GHG") emissions is currently being considered in the United States as well as elsewhere globally. As a metals distributor, our operations do not emit significant amounts of GHG. However, the manufacturing processes of many of our suppliers and customers are energy intensive and generate carbon dioxide and other GHG emissions. Any adopted future climate change and GHG regulations may impose significant costs on the operations of our customers and suppliers and indirectly impact our operations.
Until the timing, scope and extent of any future regulation becomes known, we cannot predict the effect on our results of operations, financial condition and cash flows.
We have various mechanisms in place that may prevent a change in control that stockholders may otherwise consider favorable.
In August 2013, we elected by resolution of the Board of Directors to become subject to Section 3-803 of the Maryland General Corporation Law (the "MGCL"). As a result of this election, the Board of Directors was classified into three separate classes of directors, with each class generally serving three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. The provision for a classified board could prevent a party who acquires control of a majority of our outstanding voting stock from obtaining control of our Board of Directors until the second annual stockholders meeting following the date the acquiring party obtains the controlling interest. The classified board provision could discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us and could increase the likelihood that incumbent directors will retain their positions.
In addition, our charter and by-laws and the MGCL include provisions that may be deemed to have anti-takeover effects and may delay, defer or prevent a takeover attempt that stockholders might consider to be in their best interests. For example, the MGCL, our charter and bylaws require the approval of the holders of two-thirds of the votes entitled to be cast on the matter to amend our charter (unless our Board of Directors has unanimously approved the amendment, in which case the approval of the holders of a majority of such votes is required), contain certain advance notice procedures for nominating candidates for election to our Board of Directors, and permit our Board of Directors to issue up to 9.988 million shares of preferred stock.
Furthermore, we are subject to the anti-takeover provisions of the MGCL that prohibit us from engaging in a “business combination” with an “interested stockholder” for a period of five years after the date of the transaction in which the person first becomes an “interested stockholder,” unless the business combination or stockholder interest is approved in a prescribed manner. The application of these and certain other provisions of our charter or the MGCL could have the effect of delaying or preventing a change of control, which could adversely affect the market price of our common stock.
The provisions of our debt instruments also contain limitations on our ability to enter into change of control transactions. In addition, the repurchase rights in our New Convertible Notes triggered by the occurrence of a fundamental change (as defined in the indenture for the New Convertible Notes), and the additional shares of our common stock by which the conversion rate is increased in connection with certain fundamental change transactions, as described in the indenture for the New Convertible Notes, could discourage a potential acquirer.
ITEM 1B — Unresolved Staff Comments
None.

ITEM 2 — Properties

The Company's corporate headquarters are located in Oak Brook, Illinois. All properties and equipment are sufficient for the Company's current level of activities. As of December 31, 2016, distribution centers and sales offices are maintained at each of the following locations, most of which are leased, except as indicated:

| Locations | Approximate Floor Area in Square Feet | |
|---|---|---|
| North America | | |
| Bedford Heights, Ohio | 374,400 | (1) |
| Charlotte, North Carolina | 116,500 | (1) |
| Fairless Hills, Pennsylvania | 71,600 | (1) |
| Fort Smith, Arkansas | 28,000 | |
| Grand Prairie, Texas | 78,000 | (1) |
| Hammond, Indiana (H-A Industries) | 252,595 | |
| Janesville, Wisconsin | 208,000 | |
| Kennesaw, Georgia | 87,500 | |
| Mexicali, Mexico | 160,220 | |
| Mississauga, Ontario | 57,000 | |
| Paramount, California | 155,568 | |
| Santa Cantarina, Nuevo Leon, Mexico | 112,000 | |
| Saskatoon, Saskatchewan | 15,000 | |
| Selkirk, Manitoba | 50,000 | (1) |
| Stockton, California | 60,000 | |
| Wichita, Kansas | 58,000 | |
| Europe | | |
| Blackburn, England | 62,140 | |
| Trafford Park, England | 30,000 | |
| Montoir de Bretagne, France | 38,940 | |
| Asia | | |
| Shanghai, China | 45,700 | |
| Singapore | 39,578 | |
| Sales Offices | | |
| Auburn, Massachusetts | (Intentionally left blank) | |
| Bilbao, Spain | (Intentionally left blank) | |
| Fairfield, Ohio | (Intentionally left blank) | |
| Sub-Total | 2,100,741 | |
| | | |
| Headquarters | | |
| Oak Brook, Illinois | 39,361 | (2) |
| GRAND TOTAL | 2,140,102 | |

(1) Represents owned facility.
(2) The Company's principal executive office does not include a distribution center.

ITEM 3 — Legal Proceedings

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

ITEM 4 — Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

The following selected information for each of our current executive officers (as defined by regulations of the SEC) was prepared as of April 7, 2017.

| Name and Title | Age | Business Experience |
|---|---|---|
| Patrick R. Anderson Executive Vice President, Chief Financial Officer & Treasurer | 45 | Mr. Anderson began his employment with the registrant in 2007 as Vice President, Corporate Controller and Chief Accounting Officer. In September 2014, he was appointed to the position of Interim Vice President, Chief Financial Officer and Treasurer, and in May 2015 was appointed to his current role as the Executive Vice President, Chief Financial Officer & Treasurer. Prior to joining the registrant, he was employed with Deloitte & Touche LLP (a global accounting firm) from 1994 to 2007. |
| Marec E. Edgar Executive Vice President, General Counsel, Secretary & Chief Administrative Officer | 41 | Mr. Edgar began his employment with the registrant in April 2014, as Vice President, General Counsel and Secretary. In May 2015, he was appointed to his current role as Executive Vice President, General Counsel, Secretary & Chief Administrative Officer. Prior to joining the registrant, he held positions of increasing responsibility with Gardner Denver, Inc. (a global manufacturer of industrial compressors, blowers, pumps, loading arms and fuel systems) from 2004 to 2014. Most recently, he served as Assistant General Counsel and Risk Manager and Chief Compliance Officer of Gardner Denver. |
| Ronald E. Knopp Executive Vice President, Chief Operating Officer | 46 | Mr. Knopp began his employment with the registrant in 2007 and was appointed to the position of Operations Manager of the Bedford Heights facility. In 2009, he was appointed Director of Operations for the Western Region and in 2010 served as Director of Operations for the Metals and Plate Commercial Units. In July 2013, Mr. Knopp was appointed to the position of Vice President, Operations, and in May 2015 was appointed to his current position as Executive Vice President, Chief Operating Officer. Prior to joining the registrant, Mr. Knopp served as Plant Manager for Alcoa, Inc., Aerospace Division (global producer of aluminum) from 2003 to 2007. |
| Steven W. Scheinkman President & Chief Executive Officer | 63 | President and Chief Executive Officer of the Company since April 2015. Mr. Scheinkman also served as an independent member of the Company's Board of Directors from March 2015 to April 2015. Prior to joining the registrant, Mr. Scheinkman served as President and Chief Executive Officer and a director of Innovative Building Systems LLC, and certain of its affiliates and predecessor entities (a leading customer modular home producer) since 2010. He served as a director of Claymont Steel Holdings, Inc. (a manufacturer of custom discrete steel plate) from 2006 to 2008. He served as the President and Chief Executive Officer and a director of Transtar Metals Corp. ("Transtar") (a supply chain manager/distributor of high alloy metal products for the transportation, aerospace and defense industries) from 1999 to 2006. Following Transtar's acquisition by the Company in September 2006, he served as President of Transtar Metals Holdings, Inc. until September 2007, and thereafter served as its advisor until December 2007. He served in various capacities as an executive officer of Macsteel Service Centers USA (a distributor and processor of steel products) including President, Chief Operating Officer and Chief Financial Officer, from 1986 to 1999. |

PART II

ITEM 5 — Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

On December 6, 2016, the Company was notified by the New York Stock Exchange (the “NYSE”) that the NYSE had determined to commence proceedings to delist the Company's common stock from the NYSE as a result of the Company’s failure to comply with the continued listing standard set forth in Section 802.01B of the NYSE Listed Company Manual to maintain an average global market capitalization over a consecutive 30 trading-day period of at least $15 million for its common stock. The NYSE also suspended the trading of the common stock at the close of trading on December 6, 2016.

While the Company had the ability to appeal the decision by the NYSE, the Company's Board of Directors determined that it was in the best interest of the Company and its shareholders to immediately begin trading on the OTCQB® Venture Market (the "OTCQB"), which is operated by OTC Markets Group Inc. On December 7, 2016, the Company's common stock immediately began trading on the OTCQB under the symbol “CASL”.

As of March 24, 2017, there were approximately 724 shareholders of record. Payment of cash dividends and repurchase of common stock are currently limited due to restrictions contained in the Company’s debt agreements. No cash dividends were declared or paid on the Company’s common stock in 2016 or 2015. We may consider paying cash dividends on the Company common stock at some point in the future, subject to the limitations described above. Any future payment of cash dividends, if any, is at the discretion of the Board of Directors and will depend on the Company’s earnings, capital requirements and financial condition, restrictions under the Company’s debt instruments, and such other factors as the Board of Directors may consider.

See Part III, Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters”, for information regarding common stock authorized for issuance under equity compensation plans.

The table below presents shares of the Company’s common stock which were acquired by the Company during the three months ended December 31, 2016:

| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs |
|---|---|---|---|---|
| October 1 through October 31 | — | — | — | — |
| November 1 through November 30 | — | — | — | — |
| December 1 through December 31 | 3,945 | $ 0.25 | — | — |
| Total | 3,945 | $ 0.25 | — | — |

(1) The total number of shares purchased represents shares surrendered to the Company by employees to satisfy tax withholding obligations upon vesting of restricted stock units awarded pursuant to the Company’s 2008 Omnibus Incentive Plan (as amended and restated as of July 27, 2016).

The following table sets forth the range of the high and low sales prices of shares of the Company’s common stock as reported by the NYSE and OTCQB for the periods indicated:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Low | High | Low | High |

| | | | | |
|---|---|---|---|---|
| First Quarter | $1.28 | $3.58 | $2.80 | $8.15 |
| Second Quarter | $1.51 | $5.10 | $3.44 | $7.01 |
| Third Quarter | $0.68 | $1.81 | $2.11 | $6.31 |
| Fourth Quarter | $0.20 | $0.87 | $1.50 | $3.00 |

ITEM 6 — Selected Financial Data

The following table sets forth selected consolidated financial data for the five years ended December 31, 2016. This selected consolidated financial data should be read in conjunction with Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto.

| (Dollar amounts in millions, except per share data) | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| For the year ended December 31: | | | | | |
| Net sales | $533.1 | $637.9 | $841.7 | $918.3 | $1,143.9 |
| Equity in (losses) earnings of joint venture | (4.2 ) | (1.4 ) | 7.7 | 7.0 | 7.2 |
| Loss from continuing operations [a] | (114.1 ) | (212.8 ) | (122.7 ) | (41.8 ) | (10.8 ) |
| Income from discontinued operations, net of income taxes | 6.1 | 3.0 | 3.3 | 2.3 | 1.1 |
| Net loss [a] | $(108.0) | $(209.8) | $(119.4) | $(39.5 ) | $(9.7 ) |
| Basic and diluted earnings (loss) per common share: | | | | | |
| Continuing operations | $(3.93 ) | $(9.04 ) | $(5.25 ) | $(1.80 ) | $(0.47 ) |
| Discontinued operations | 0.21 | 0.13 | 0.14 | 0.10 | 0.05 |
| Net basic and diluted loss per common share [a] | $(3.72 ) | $(8.91 ) | $(5.11 ) | $(1.70 ) | $(0.42 ) |
| As of December 31: | | | | | |
| Total assets | $329.3 | $493.5 | $703.8 | $797.3 | $912.8 |
| Long-term debt, less current portion | 286.5 | 310.6 | 302.5 | 236.4 | 284.6 |
| Total debt | 286.6 | 317.6 | 303.3 | 236.8 | 285.5 |
| Total stockholders' (deficit) equity | (35.1 ) | 47.0 | 252.6 | 388.5 | 421.5 |

[a] Results include a $33.7 million impairment of intangible assets charge and a $61.5 million charge for the write-down of inventory and purchase commitments in 2015, and a $56.2 million goodwill impairment charge in 2014.

ITEM 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations

Information regarding the business and markets of A.M. Castle & Co. and its subsidiaries (the "Company") is included in Item 1 "Business" of this annual report on Form 10-K.

The following discussion should be read in conjunction with Item 6 "Selected Financial Data" and the Company's consolidated financial statements and related notes thereto in Item 8 "Financial Statements and Supplementary Data".

The following discussion and analysis of our financial condition and results of operations contain forward-looking statements and includes numerous risks and uncertainties, including those described under Item 1A "Risk Factors" and "Disclosure Regarding Forward-Looking Statements" of this annual report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements.

EXECUTIVE OVERVIEW

The Company's strategy is to become the foremost global provider of metals products and services and specialized supply chain solutions to targeted global industries.

During 2016, the Company engaged in several restructuring and refinancing activities that impacted the Company's operations and/or financial results. The following is a summary of the significant restructuring and refinancing activities that occurred in 2016:

- In February 2016, the Company sold all of its inventory at its Houston and Edmonton facilities, which primarily serviced the oil and gas sector of the energy market, to an unrelated third party and recognized net sales and cost of materials of $27.1 million. Subsequently, the Company sold all of its equipment at its Houston and Edmonton facilities and agreed to a reduction in future proceeds from the inventory sale in exchange for the assignment of its remaining lease obligations at its Houston facility. The Company ceased operations at the Houston and Edmonton facilities in February 2016 and recorded total restructuring expense of $7.3 million related to the closure of these facilities in 2016. The sale of the assets and subsequent closure of the Houston and Edmonton facilities did not qualify as a discontinued operation under the authoritative accounting guidance.

- In March 2016, the Company completed the sale of substantially all the assets of its wholly-owned subsidiary, Total Plastics, Inc. ("TPI"), for $53.6 million in cash. The Company used the proceeds from the sale to repay indebtedness, pursuant to its previously announced plan to improve its capital structure. The sale of TPI, which resulted in pre-tax and after-tax gains of $2.0 million and $1.3 million, respectively, allows the Company to focus solely on its core metals business. TPI is reflected in the Consolidated Financial Statements as a discontinued operation.

- In June 2016, the Company received an offer from its joint venture partner to purchase the Company's ownership share in Kreher Steel Company, LLC ("Kreher") for an amount that was less than the current carrying value of the Company's investment in Kreher. The Company determined that this offer indicated that the Company may not be able to recover the full carrying amount of its investment and therefore, the Company recognized a $4.6 million other-than-temporary impairment charge in the second quarter of 2016 to reduce the carrying amount of the investment to the negotiated purchase price. In August 2016, the Company completed the sale of its ownership share in Kreher to its joint venture partner for aggregate cash proceeds of $31.6 million, which resulted in an insignificant loss on disposal. The proceeds from the sale were ultimately used to repay indebtedness. Because the sale of the Company's investment in Kreher is not considered to be a strategic shift that will have a major effect on the Company's operations and financial results, the results of Kreher through the date of sale are reflected within continuing operations in the Consolidated Financial Statements.

- In the first half of 2016, the Company exchanged $204.5 million aggregate principal amount of 12.75% Senior Secured Notes due December 2016 (the "Secured Notes") for $204.5 million aggregate principal amount of new 12.75% Senior Secured Notes due December 2018 (the "New Secured Notes"). The Company also exchanged $57.5 million aggregate principal amount of its 7.0% Convertible Notes due December 2017 (the "Convertible Notes") for a combination of $23.8 million aggregate principal amount of 5.25% Convertible Notes due December 2019 (the "New Convertible Notes") and 7.9 million shares of the Company's common stock (the "Convertible Note Exchange"). These actions extended the maturity of substantially all of the Company's Secured Notes and Convertible Notes on terms that improved the Company's capital structure.

- As part of the Company's refinancing of the Secured Notes, it agreed to make special redemptions using Designated Asset Sales Proceeds (as defined by the indenture governing the New Secured Notes). Pursuant to the indenture governing the New Secured Notes, the Company redeemed $27.5 million of aggregate principal amount of the New Secured Notes in November 2016.

- In December 2016, the Company entered into new secured credit facilities (the “Credit Facilities”) with certain financial institutions in order to replace and repay outstanding borrowings and support the continuance of letters of credit under the Company's senior secured asset-based revolving credit facility (the “Revolving Credit Facility”). The Credit Facilities are in the form of senior secured first lien term loan facilities in an aggregate principal amount of up to $112.0 million. The Credit Facilities consist of a $75.0 million initial term loan facility funded at closing and a $37.0 million delayed-draw term loan facility (the “Delayed Draw Facility”). Under the Delayed Draw Facility, $24.5 million was available in December 2016 and $12.5 million is expected to be available in June 2017 or thereafter. In December 2016, the Company borrowed the $24.5 million of the Delayed Draw Facility available in accordance with its terms.

- In connection with the closing of the Credit Facilities, commitments pursuant to the Revolving Credit Facility were terminated, liens granted to the collateral agent pursuant thereto were released in full, and Revolving Credit Facility borrowings outstanding were repaid by the Company using proceeds from the Credit Facilities.

- On April 6, 2017, the Company entered into a restructuring support agreement (the “RSA”) with certain of their creditors, including certain holders of the Company’s (a) term loans under its Credit Facilities agreement, (b) New

Secured Notes, and (c) New Convertible Notes. The RSA contemplates the financial restructuring of the debt and equity of the Company (the “Restructuring”) pursuant to a Restructuring Term Sheet attached to the RSA as an exhibit (the “Term Sheet”). The Term Sheet sets forth the terms and condition of the Restructuring and provides for the consummation thereof either as part of out-of-court proceedings or by prepackaged Chapter 11 plan of reorganization (a “Plan”) confirmed by the U.S. Bankruptcy Court for the District of Delaware. If this were consummated through a Plan, the Plan would be confirmed following a filing by the Company for voluntary relief under Chapter 11 of the United States Bankruptcy Code.

Recent Market and Pricing Trends

Sales were down 16.4% in 2016 compared to 2015 as the Company continued to experience a combination of lower demand and pricing pressure for virtually all of its core metals products.

Industry data provided by the Metals Service Center Institute ("MSCI") indicates that overall 2016 U.S. steel service center shipment volumes decreased 8% compared to 2015 levels. According to MSCI data, industry sales volumes of products consistent with the Company's product mix were also down 15% in 2016 compared to 2015. The products which had the most significant declines according to MSCI data included carbon alloy bar, cold finished carbon bar, carbon plate, and carbon pipe and tube products.

A decrease in the demand for the Company's products has a significant impact on the Company's operating results. A decrease in demand results in lower sales dollars which, once costs and expenses are factored in, leads to less dollars earned from normal operations. Although the lower demand also decreases the cost of materials and operating costs, including warehouse, delivery, selling, general and administrative expenses, the decrease in these costs and expenses is often less than the decrease in sales dollars due to fixed costs, resulting in lower operating margins. Through the Company's recent restructuring activities, management believes it is in a better position to react to decreases in customer demand and manage the impact that demand decreases have on operating margins. In periods of increasing demand, management believes its restructuring activities will allow the Company to experience operating margin growth, and therefore growth in operating margin dollars.

As it was in 2015, the Company was impacted by significant downward pricing pressure on most of its products in 2016. Pricing for its products can have a more significant impact on the Company's operating results than demand because of the following reasons, among others:

- Changes in volume resulting from changes in demand typically result in corresponding changes to the Company’s variable costs. However, as pricing changes occur, variable expenses are not directly impacted.
- If surcharges are not passed through to the customer or are passed through without a mark-up, the Company’s profitability will be adversely impacted.

Throughout the year the Company was forced to lower its pricing to remain competitive, a consequence that was largely due to continuing high levels of import material coming into the U.S. market and deflating prices. Overall, the gross material margin, calculated as net sales less cost of materials divided by net sales, increased from 8.9% in 2015 to 21.0% in 2016. Cost of materials for 2015 included a $61.5 million non-cash charge for the write-down of inventory and purchase commitments of the Company's Houston and Edmonton facilities and a $25.7 million non-cash charge for inventory to be scrapped or written down related to 2015 restructuring activities. Cost of materials for 2016 included $27.1 million from the sale of all inventory at the Houston and Edmonton facilities to an unrelated third party at a zero gross profit margin and $14.2 million of aged and excess inventory that was sold for $2.5 million. Excluding these specified items from both years, the gross margin for 2016 improved slightly from the gross margin for 2015. Despite the decline in pricing during 2016, the Company was able to improve its gross margin from 2015 by implementing improved inventory management strategies and better matching sales prices with the inventory replacement cost. Although the Company expects the pricing pressure to continue into 2017, which will continue to impact the Company's operating results, management believes that favorable pricing from suppliers, its inventory management strategies and a focus on quality and superior customer service will provide a competitive advantage in a difficult metals pricing environment.

Current Business Outlook

With the February 2016 closure of the Company's Houston and Edmonton facilities, which primarily serviced the oil and gas sector of the energy market, the Company became principally focused on two key markets, aerospace and industrial.

The stronger of the Company's target markets continues to be aerospace, with strong defense and commercial spending driving the demand for the Company's aluminum and stainless products. The Company expects the aerospace market to remain stable and for business to improve, particularly where the Company has long-term contracts with subcontractors who support platforms that are anticipated to grow. However, the Company does anticipate continued pressure on transactional pricing.

Demand in the industrial market has not improved and continues to be generally soft. The Company does not expect to see significant growth at its larger customers in the short term. Given the Company's lower cost structure, which is the result of its restructuring activities, it does see an opportunity to grow market share by improving its conversion rate on transactional business on a competitive basis at still accretive net margins.

Lower pricing on most of the Company's products continued to have a significant negative impact on its financial performance in 2016. Historically high levels of foreign imports into the U.S. market have driven prices down, as have inventory de-stocking actions taken by many of the Company's competitors. In response to both of these pricing pressures, the Company was forced to lower its prices in order to remain competitive in the market. The Company expects that pricing may begin showing improvement in 2017, as a result of possible U.S. protectionist policies, improved demand and supportive raw material costs.

RESULTS OF OPERATIONS: YEAR-TO-YEAR COMPARISONS AND COMMENTARY

Our discussion of comparative period results is based upon the following components of the Company's Consolidated Statements of Operations and Comprehensive Loss.

Net Sales —The Company derives its sales from the processing and delivery of metals. Pricing is established with each customer order and includes charges for the material, processing activities and delivery. The pricing varies by product line and type of processing. From time to time, the Company may enter into fixed price arrangements with customers while simultaneously obtaining similar agreements with its suppliers.

Cost of Materials — Cost of materials consists of the costs that the Company pays suppliers for metals and related inbound freight charges, excluding depreciation and amortization which are included in operating costs and expenses discussed below.

Operating Costs and Expenses — Operating costs and expenses primarily consist of:

- Warehouse, processing and delivery expenses, including occupancy costs, compensation and employee benefits for warehouse personnel, processing, shipping and handling costs;
- Sales expenses, including compensation and employee benefits for sales personnel;
- General and administrative expenses, including compensation for executive officers and general management, expenses for professional services primarily related to accounting and legal advisory services, bad debt expense, data communication and computer hardware and maintenance;
- Restructuring expense and income, including moving costs and gain on the sale of fixed assets associated with plant consolidations, employee termination and related benefits costs associated with workforce reductions, lease termination costs and other exit costs;
- Depreciation and amortization expenses, including depreciation for all owned property and equipment, and amortization of various intangible assets; and
- Impairment of intangible assets and/or goodwill.

2016 Results Compared to 2015

The following table sets forth certain statement of operations data for the years ended December 31, 2016 and 2015. Included in the operating results below is the sale of all inventory and subsequent closure of the Company's Houston and Edmonton facilities which occurred in the first quarter of 2016.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | | 2015 | | Favorable/(Unfavorable) | |
| (Dollar amounts in millions) | $ | % of Net Sales | $ | % of Net Sales | $ Change | % Change |
| Net sales | $533.1 | 100.0 % | $637.9 | 100.0 % | $ (104.8 ) | (16.4 )% |
| Cost of materials (exclusive of depreciation and amortization)[a] | 421.3 | 79.0 % | 581.2 | 91.1 % | 159.9 | 27.5 % |
| Operating costs and expenses[b] | 182.1 | 34.2 % | 244.8 | 38.4 % | 62.7 | 25.6 % |
| Operating loss | $(70.3 ) | (13.2 )% | $(188.1) | (29.5 )% | $ 117.8 | 62.6 % |

[a] Cost of materials includes $0.5 million of inventory scrapping expenses associated with restructuring activities for 2016. Cost of materials for 2015 includes a $61.5 million non-cash charge for the write-down of inventory and purchase commitments of the Company's Houston and Edmonton locations and a $25.7 million non-cash charge for inventory that was identified to be scrapped or written down in conjunction with 2015 restructuring activities.

(b) Operating costs and expenses include $12.9 million and $9.0 million of restructuring expenses for the years 2016 and 2015, respectively. Also included in 2015 are a $33.7 million non-cash intangible assets impairment charge and a $5.6 million gain from the sale of an operating facility.

Net Sales

Net sales in 2016 were $533.1 million, a decrease of $104.8 million, or 16.4%, compared to 2015. The decrease in net sales was mainly attributable to a 13.5% decrease in tons sold per day to customers compared to 2015 and a 6.7% decrease in average selling prices, partly offset by a slightly favorable change in product mix and the impact of the Company's $27.1 million sale of all its inventory at its Houston and Edmonton facilities to an unrelated third party in the first quarter of 2016. The sale of this inventory, which was sold at a zero gross profit margin, was the result of a decision to lower the Company's exposure to oil and gas market fluctuations. Including this inventory sale, net sales from the Houston and Edmonton locations were $33.0 million and $51.9 million in 2016 and 2015, respectively.

Sales volumes in 2016 decreased on virtually all products compared to 2015, with alloy bar, cold finished carbon, SBQ bar, stainless and tubing having the most significant declines. The closure of the Company's Houston and Edmonton facilities in February 2016 also led to decreased sales volume as the tons sold from these locations, which primarily were sold to oil and gas customers, were not replaced by subsequent sales out of another of the Company's service centers.

Downward pricing pressures in 2016 resulted in lower average selling prices on all of the products the Company sells compared to 2015. Lower pricing on high volumes of foreign metal imports and de-stocking by many of the Company's competitors caused the Company to lower prices in order to remain competitive. The 6.7% decrease in average selling prices in 2016 compared to 2015 was driven by average selling price decreases of 7% to 17% on many of the Company's highest selling products by volume, with a partial offset from favorable product mix.

Cost of Materials

Cost of materials (exclusive of depreciation and amortization) during 2016 was $421.3 million compared to $581.2 million during 2015. The $159.9 million, or 27.5%, decrease is largely due to the decrease in sales volume during 2016, partly offset by the $27.1 million of cost of materials recognized on the sale of all inventory at the Company's Houston and Edmonton facilities in the first quarter of 2016, as discussed above. In addition, in an effort to reduce the amount of aged and excess inventory on hand, cost of materials in 2016 included $14.2 million of aged and excess inventory that was sold for $2.5 million in the fourth quarter of 2016, which increased the operating loss for 2016 by $11.7 million. Included in cost of materials in 2015 are a $61.5 million non-cash charge for the write-down of inventory and purchase commitments of the Houston and Edmonton facilities and a $25.7 million non-cash restructuring charge related to the write-down of aged and excess inventory, compared to a restructuring charge of $0.5 million for inventory scrapping expenses in 2016.

As a percent of net sales, cost of materials (exclusive of depreciation and amortization) was 79.0% of net sales in 2016, compared to 91.1% of net sales for 2015. The 2016 percentage was significantly affected by the sale of the Houston and Edmonton inventory and the sales of aged and excess inventory, while the 2015 percentage was impacted by the $61.5 million non-cash write-down of inventory and purchase commitments of the Houston and Edmonton facilities and the $25.7 million non-cash restructuring charge related to the write-down of aged and excess inventory.

Operating Costs and Expenses and Operating Loss

Operating costs and expenses for 2016 and 2015 were as follows:

| | Year Ended December 31, | | Favorable/(Unfavorable) | |
|---|---|---|---|---|
| (Dollar amounts in millions) | 2016 | 2015 | $ Change | % Change |
| Warehouse, processing and delivery expense | $84.5 | $100.9 | $ 16.4 | 16.3 % |
| Sales, general and administrative expense | 68.3 | 77.9 | 9.6 | 12.3 % |
| Restructuring expense | 12.9 | 9.0 | (3.9) | (43.3)% |
| Depreciation and amortization expense | 16.4 | 23.3 | 6.9 | 29.6 % |
| Impairment of intangible assets | — | 33.7 | 33.7 | 100.0 % |
| Total operating costs and expenses | $182.1 | $244.8 | $ 62.7 | 25.6 % |

Operating costs and expenses decreased by $62.7 million from $244.8 million during 2015 to $182.1 million during 2016:

- Warehouse, processing and delivery expense decreased by $16.4 million as a result of lower payroll, benefits and facility costs resulting from plant consolidations, the February 2016 closure of the Houston and Edmonton facilities, and lower variable costs resulting from the decrease in sales activity. The expense for 2015 was reduced by a $5.6 million gain from the sale of an operating facility.

- Sales, general and administrative expense of $68.3 million for 2016 decreased by $9.6 million compared to 2015 mainly as a result of lower payroll and benefits costs, most notably pension expense.
- Restructuring expense of $12.9 million in 2016 consisted mainly of lease termination charges associated with the closure of the Company's Houston and Edmonton facilities and moving expenses associated with plant consolidations, while restructuring activities for 2015 primarily consisted of employee termination and related benefits related to workforce reductions, moving costs associated with plant consolidations, partly offset by a $16.0 million gain on the sale of the Company's warehouse and distribution facilities in Franklin Park, Illinois and Worcester, Massachusetts.
- Depreciation and amortization expense of $16.4 million in 2016 decreased by $6.9 million from 2015 mainly as a result of the impairment of intangible assets recorded in the fourth quarter of 2015, as well as plant consolidations and closures, and equipment sales.
- Impairment of intangible assets of $33.7 million in 2015 represented the non-cash write-off of the remaining intangible assets from the Company's 2011 Tube Supply acquisition, and resulted from the decision to close the Houston and Edmonton facilities.

Operating loss in 2016, including restructuring charges of $12.9 million and inventory scrapping expense associated with restructuring activities of $0.5 million, was $70.3 million. Operating loss in 2015, including intangible assets impairment charges of $33.7 million, net restructuring losses of $9.0 million, total write-downs of inventory and purchase commitments of $87.1 million, and a $5.6 million gain on sale of facility, was $188.1 million.

Other Income and Expense, Income Taxes and Net Loss

Interest expense was $36.4 million in 2016, a decrease of $4.1 million from the $40.5 million in 2015, which was primarily attributable to lower outstanding borrowings.

Unrealized gain on the embedded conversion option associated with the 5.25% Convertible Notes due December 30, 2019 was $10.5 million for 2016. There was no conversion option associated with convertible debt requiring mark-to-market accounting in 2015.

Debt restructuring loss of $8.6 million in 2016 consisted primarily of eligible holder consent fees and legal and other professional fees incurred in conjunction with the exchange of Secured Notes for New Secured Notes, the Convertible Note Exchange, and the termination of the Revolving Credit Facility. These fees were partly offset by gains resulting from the conversion of New Convertible Notes to equity.

Other expense, comprised mostly of foreign currency transaction losses, was $7.6 million in 2016 compared to $6.3 million for 2015. These losses are primarily related to unhedged intercompany financing arrangements.

The Company recorded an income tax benefit of $2.5 million for 2016 compared to an income tax benefit of $23.6 million for 2015. The Company’s effective tax rate is expressed as income tax expense (benefit), which includes tax expense on the Company’s share of joint venture losses, as a percentage of loss from continuing operations before income taxes and equity in losses of joint venture. The effective tax rate for 2016 and 2015 was 2.3% and 10.0%, respectively. The lower effective tax rate for 2016 resulted primarily from changes in the geographic mix and timing of income (losses) and changes in valuation allowance positions in the U.S. and Canada during 2015, which drove one-time charges to income tax expense in that period.

Equity in losses of joint venture was $4.2 million in 2016, compared to equity in losses of joint venture of $1.4 million in 2015. In August 2016, the Company completed the sale of its joint venture investment for aggregate cash proceeds of $31.6 million. Included in the equity in losses of the Company's joint venture in 2016 was an impairment charge of $4.6 million related to the write-down of the Company's joint venture investment to fair value (refer to Note 3 - Joint Venture to the Consolidated Financial Statements). Equity in losses of joint venture for 2015 included a $1.8 million charge associated with the impairment of goodwill at the joint venture.

Loss from continuing operations for 2016 was $114.1 million, compared to a loss from continuing operations of $212.8 million for 2015. Income from discontinued operations, net of income taxes, was $6.1 million for 2016, compared to income from discontinued operations, net of income taxes, of $3.0 million for 2015. Income from discontinued operations, net of income taxes, for 2016 includes an after-tax gain on the sale of TPI of $1.3 million.

Net loss for 2016, which includes income from discontinued operations (net of income taxes) of $6.1 million, was $108.0 million. Net loss for 2015, which includes income from discontinued operations (net of income taxes) of $3.0 million, was $209.8 million.

2015 Results Compared to 2014

The following table sets forth certain statement of operations data for the year ended December 31, 2015 and 2014.

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | Favorable/(Unfavorable) | |
| (Dollar amounts in millions) | $ | % of Net Sales | $ | % of Net Sales | $ Change | % Change |
| Net sales | $637.9 | 100.0 % | | | | |