Ryerson Holding Corp
Form 10-Q
July 31, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission File Number 333-169372

Ryerson Holding Corporation

(Exact name of registrant as specified in its charter)

DELAWARE	**26-1251524**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

227 W. Monroe, 27th Floor

Chicago, Illinois 60606

(Address of principal executive offices)

(312) 292-5000

(Registrant s telephone number, including area code)

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 ¨ 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 (§232.405 of this chapter) 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x	Smaller reporting company ¨

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

As of July 30, 2012 there were 5,000,000 shares of Common Stock, par value $0.01 per share, outstanding.

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RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	$ 1,090.6	$ 1,289.0	$ 2,212.2	$ 2,476.0
Cost of materials sold	906.6	1,125.1	1,837.4	2,155.4
Gross profit	184.0	163.9	374.8	320.6
Warehousing, delivery, selling, general and administrative	131.5	139.8	263.0	275.0
Restructuring and other charges		0.6		0.9
Impairment charge on fixed assets	0.9	2.5	0.9	2.5
Operating profit	51.6	21.0	110.9	42.2
Other income and (expense), net	0.8	(0.6)	0.5	5.1
Interest and other expense on debt	(32.6)	(30.6)	(64.1)	(60.3)
Income (loss) before income taxes	19.8	(10.2)	47.3	(13.0)
Provision for income taxes	4.4	7.8	7.0	6.6
Net income (loss)	15.4	(18.0)	40.3	(19.6)
Less: Net income (loss) attributable to noncontrolling interest	(0.2)		(0.3)	0.1
Net income (loss) attributable to Ryerson Holding Corporation	$ 15.6	$ (18.0)	$ 40.6	$ (19.7)
Comprehensive income (loss)	$ 8.9	$ (18.2)	$ 41.6	$ (14.7)
Less: Comprehensive income (loss) attributable to noncontrolling interest	(0.6)	0.1	(0.7)	0.2
Comprehensive income (loss) attributable to Ryerson Holding Corporation	$ 9.5	$ (18.3)	$ 42.3	$ (14.9)

See Notes to Condensed Consolidated Financial Statements.

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RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Operating activities:		
Net income (loss)	$ 40.3	$ (19.6)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	22.8	21.6
Deferred income taxes	(0.8)	1.3
Provision for allowances, claims and doubtful accounts	0.6	3.2
Noncash interest expense related to debt discount amortization	24.4	19.4
Impairment charge on fixed assets	0.9	2.5
Restructuring and other charges		0.9
Gain on bargain purchase		(5.8)
Other items	0.9	0.3
Change in operating assets and liabilities, net of the effects of acquisitions:		
Receivables	(19.7)	(175.0)
Inventories	(75.5)	(0.6)
Other assets	(1.1)	(1.8)
Accounts payable	39.3	(2.0)
Accrued liabilities	(8.9)	(7.0)
Accrued taxes payable/receivable	1.2	6.8
Deferred employee benefit costs	(22.8)	(19.6)
Net adjustments	(38.7)	(155.8)
Net cash provided by (used in) operating activities	1.6	(175.4)
Investing activities:		
Acquisitions, net of cash acquired	(1.5)	(19.7)
Decrease in restricted cash	1.0	16.8
Capital expenditures	(25.9)	(19.1)
Investment in joint venture	(2.9)	
Increase in cash due to consolidation of joint venture	3.0	
Proceeds from sales of property, plant and equipment	8.5	6.6
Net cash used in investing activities	(17.8)	(15.4)
Financing activities:		
Net proceeds / (repayments) of credit facility borrowings	(8.5)	172.1
Credit facility issuance costs		(15.8)
Net increase / (decrease) in book overdrafts	(2.8)	17.6
Net cash provided by (used in) financing activities	(11.3)	173.9
Net decrease in cash and cash equivalents	(27.5)	(16.9)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	1.1

Net change in cash and cash equivalents	(27.8)	(15.8)
Cash and cash equivalents beginning of period	61.7	62.6
Cash and cash equivalents end of period	$ 33.9	$ 46.8
Supplemental disclosures:		
Cash paid (received) during the period for:		
Interest paid to third parties	$ 35.8	$ 35.0
Income taxes, net	7.0	(0.5)

See Notes to Condensed Consolidated Financial Statements.

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RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Balance Sheets

(In millions, except shares)

	June 30, 2012 (unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 33.9	$ 61.7
Restricted cash	4.3	5.3
Receivables less provision for allowances, claims and doubtful accounts of $7.6 and $7.7, respectively	534.3	513.9
Inventories	809.2	732.4
Prepaid expenses and other current assets	37.5	41.0
Total current assets	1,419.2	1,354.3
Property, plant, and equipment, at cost	630.6	611.1
Less: Accumulated depreciation	148.0	131.4
Property, plant and equipment, net	482.6	479.7
Deferred income taxes	36.9	37.2
Other intangible assets	60.4	62.2
Goodwill	96.5	96.3
Deferred charges and other assets	26.0	28.7
Total assets	$ 2,121.6	$ 2,058.4
Liabilities		
Current liabilities:		
Accounts payable	$ 282.5	$ 245.1
Salaries, wages and commissions	37.2	40.2
Deferred income taxes	131.8	132.5
Other accrued liabilities	54.2	62.7
Short-term debt	36.3	52.0
Current portion of deferred employee benefits	15.2	15.2
Total current liabilities	557.2	547.7
Long-term debt	1,298.1	1,264.2
Deferred employee benefits	478.7	502.9
Taxes and other credits	11.7	11.2
Total liabilities	2,345.7	2,326.0
Commitments and contingencies		
Redeemable noncontrolling interest	1.4	
Equity		
Ryerson Holding Corporation stockholders equity (deficit):		
Common stock**,** $0.01 par value; 10,000,000 shares authorized; 5,000,000 shares issued at 2012 and 2011		
Capital in excess of par value	224.9	224.9
Accumulated deficit	(240.9)	(281.5)
Accumulated other comprehensive loss	(213.0)	(214.7)
Total Ryerson Holding Corporation stockholders equity (deficit)	(229.0)	(271.3)

Noncontrolling interest	3.5	3.7
Total equity (deficit)	(225.5)	(267.6)
Total liabilities and equity	$ 2,121.6	$ 2,058.4

See Notes to Condensed Consolidated Financial Statements.

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RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1: FINANCIAL STATEMENTS

Ryerson Holding Corporation (Ryerson Holding), a Delaware corporation, is the parent company of Ryerson Inc. (Ryerson). Ryerson Holding is 99% owned by affiliates of Platinum Equity, LLC (Platinum).

Ryerson conducts materials distribution operations in the United States through its wholly-owned direct subsidiary Joseph T. Ryerson & Son, Inc. (JT Ryerson), in Canada through its indirect wholly-owned subsidiary Ryerson Canada, Inc., a Canadian corporation (Ryerson Canada) and in Mexico through its indirect wholly-owned subsidiary Ryerson Metals de Mexico, S. de R.L. de C.V., a Mexican corporation (Ryerson Mexico). In addition to our North American operations, we conduct materials distribution operations in China through Ryerson China Limited (Ryerson China), a company in which we have a 100% ownership percentage and in Brazil through Açofran Aços e Metais Ltda (Açofran), a company in which we have a 50% direct ownership percentage as of February 17, 2012. Unless the context indicates otherwise, Ryerson Holding, Ryerson, JT Ryerson, Ryerson Canada, Ryerson China and Ryerson Mexico together with their subsidiaries, are collectively referred to herein as we, us, our, or the Company.

The following table shows our percentage of sales by major product lines for the three and six months ended June 30, 2012 and 2011, respectively:

	Three Months Ended June 30,		Six Months Ended June 30,	
Product Line	**2012**	**2011**	**2012**	**2011**
Carbon Steel Flat	25%	28%	24%	27%
Carbon Steel Plate	13	11	13	11
Carbon Steel Long	14	10	15	9
Stainless Steel Flat	15	18	15	19
Stainless Steel Plate	4	4	4	5
Stainless Steel Long	4	4	4	4
Aluminum Flat	14	14	15	14
Aluminum Plate	4	4	4	4
Aluminum Long	4	3	4	3
Other	3	4	2	4
Total	100%	100%	100%	100%

Results of operations for any interim period are not necessarily indicative of results of any other periods or for the year. The financial statements as of June 30, 2012 and for the three-month and six-month periods ended June 30, 2012 and 2011 are unaudited, but in the opinion of management include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for such periods. The year-end condensed consolidated balance sheet data contained in this report was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the financial statements and related notes contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amends Accounting Standards Codification (ASC) 820, *Fair Value Measurements* (ASC 820), providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. The revised guidance is effective for interim and annual periods beginning after December 15, 2011 and early application by public entities is prohibited. We adopted this guidance on January 1, 2012. The adoption did not have a material impact on our financial statements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income* (ASU 2011-05). Under ASU 2011-05, entities are required to present total comprehensive income either in a single, continuous statement of comprehensive income or in two separate but consecutive statements. Under the single-statement approach, entities must include the components of net income, a total for net income, the components of other comprehensive income and a total for comprehensive income. Under the two-statement approach, entities must report an income statement and, immediately following, a statement of other comprehensive income. The amendments in ASU 2011-05 do not change the items that must be reported in other

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comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 should be applied retrospectively. The provisions for this pronouncement are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. We have adopted this pronouncement for our fiscal year beginning January 1, 2012. In December 2011, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011- 5* which deferred the requirement from the June 2011 guidance that related to the presentation of reclassification adjustments. The amendment will allow the FASB time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. The adoption of ASU 2011-05 did not have a material effect on the Company s consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment* (ASU 2011-08). ASU 2011-08 allows an entity to make an initial qualitative evaluation, based on the entity s events and circumstances, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The results of this qualitative assessment determine whether it is necessary to perform the currently required two-step impairment test. The new guidance also expands upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. We adopted this guidance prospectively on January 1, 2012. The adoption did not have a material impact on our financial statements.

NOTE 3: INVENTORIES

The Company primarily uses the last-in, first-out (LIFO) method of valuing inventory. Interim LIFO calculations are based on actual inventory levels.

Inventories, at stated LIFO value, were classified at June 30, 2012 and December 31, 2011 as follows:

	June 30, 2012	December 31, 2011
	(In millions)	
In process and finished products	$ 809.2	$ 732.4

If current cost had been used to value inventories, such inventories would have been $12 million and $29 million higher than reported at June 30, 2012 and December 31, 2011, respectively. Approximately 86% and 88% of inventories are accounted for under the LIFO method at June 30, 2012 and December 31, 2011, respectively. Non-LIFO inventories consist primarily of inventory at our foreign facilities using the weighted-average cost and the specific cost methods. Substantially all of our inventories consist of finished products.

During the six months ended June 30, 2011, inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 2011 purchases, the effect of which decreased cost of materials sold by approximately $5.8 million.

NOTE 4: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to $96.5 million at June 30, 2012. Pursuant to ASC 350, *Intangibles Goodwill and Other,* we review the recoverability of goodwill and other intangible assets deemed to have indefinite lives annually as of October 1 or whenever significant events or changes occur which might impair the recovery of recorded amounts. The most recently completed impairment test of goodwill was performed as of October 1, 2011. Other intangible assets with finite useful lives continue to be amortized over their useful lives. We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable.

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NOTE 5: ACQUISITIONS

Singer Steel Company

On March 14, 2011, the Company acquired all the issued and outstanding capital stock of Singer Steel Company (Singer). Singer is a full-service steel value-added processor with state-of-the-art processing equipment. We believe that Singer s capabilities strongly enhance Ryerson s offering in the Midwest and Northeast United States.

The fair value of the consideration totaled $23.6 million on the acquisition date, which consisted of the following:

	Consideration (In millions)
Cash	$ 20.0
Holdback (1)	3.6
Total	$ 23.6

(1) Any remaining holdback amount not used for undisclosed obligations is payable to the seller within 18 months from the acquisition date.
The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The Company used a third-party valuation firm to estimate the fair values of the property, plant and equipment and intangible assets. Inventory was valued by the Company using acquisition date fair values of the metals.

	At March 14, 2011 (In millions)
Cash	$ 0.3
Restricted cash	6.5
Accounts receivable	7.3
Inventory	16.3
Property, plant, and equipment	8.2
Intangible assets	4.3
Other assets	0.2
Total identifiable assets acquired	43.1
Current liabilities	11.4
Deferred tax liabilities	2.3
Total liabilities assumed	13.7
Net identifiable assets acquired	29.4
Bargain purchase	(5.8)
Net assets acquired	$ 23.6

The fair value of accounts receivables acquired was $7.3 million, with a gross amount of $7.8 million. The Company expects $0.5 million to be uncollectible.

Of the $4.3 million of acquired intangible assets, $2.2 million was assigned to customer relationships with a useful life of 7 years, $1.7 million was assigned to trademarks with a useful life of 5 years and $0.4 million was assigned to a license agreement with a useful life of 7 years.

The transaction resulted in a bargain purchase primarily due to the fair value of acquired intangible assets and higher inventory valuation related to rising metals prices. The gain is included in other income and (expense), net in the Statement of Comprehensive Income. The Company has recognized $0.4 million in acquisition-related fees, which is included in warehousing, delivery, selling, general and administrative expenses.

Included in the six months ended June 30, 2011 financial results is $15.8 million of revenue and $6.9 million (includes the $5.8 million bargain purchase gain) of net income from Singer since the acquisition date.

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Turret Steel

On December 9, 2011, the Company acquired all the issued and outstanding capital stock of Turret Steel Industries, Inc., Sunbelt-Turret Steel, Inc., Wilcox-Turret Cold Drawn, Inc., and Imperial Trucking Company, LLC (collectively, Turret). Turret is a premier distributor of Special Bar Quality Carbon and Alloy bar products. We believe that Turret s product offerings strongly enhance Ryerson s strategy of increasing its presence in long and fabricated products.

Ryerson acquired Turret for a cash purchase price of $78.8 million, plus assumption of approximately $6.5 million of debt on the acquisition date. A total of $1.5 million of the $78.8 million cash purchase price was held back and was paid to the seller in June 2012. The terms of the agreement also include deferred cash consideration payouts, totaling a maximum of $36.0 million over a period of 5 years, which are contingent on the seller s continued employment with Ryerson as well as the financial performance of Turret. The deferred cash consideration will be recognized as compensation expense and recorded as it is incurred over the five year period.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The Company used a third-party valuation firm to estimate the fair values of the property, plant and equipment and intangible assets. Inventory was valued by the Company using acquisition date fair values of the metals.

	At December 9, 2011 (In millions)
Cash	$ 1.8
Accounts receivable	12.0
Inventory	26.7
Property, plant, and equipment	2.9
Intangible assets	45.1
Goodwill	25.1
Other assets	1.2
Total identifiable assets acquired	114.8
Current liabilities	17.5
Deferred tax liabilities	18.5
Total liabilities assumed	36.0
Net assets acquired	$ 78.8

The fair value of accounts receivables acquired was $12.0 million, with a gross amount of $12.4 million. The Company expects $0.4 million to be uncollectible.

Of the $45.1 million of acquired intangible assets, $27.8 million was assigned to customer relationships with useful lives between 7 and 11 years, $17.0 million was assigned to trademarks with a useful life of 20 years and $0.3 million was assigned to a covenant not to compete with a useful life of 7 years. The Company recognized $25.1 million of goodwill, reflecting management s expected synergies.

The Company has recognized $0.4 million in acquisition-related fees, which is included in warehousing, delivery, selling, general and administrative expenses.

The following unaudited pro forma information presents consolidated results of operations for the three and six months ended June 30, 2012 and 2011 as if the acquisitions of Singer and Turret on March 14, 2011 and December 9, 2011, respectively, had occurred on January 1, 2011:

Pro Forma

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(In millions)			
Net sales	$ 1,090.6	$ 1,324.9	$ 2,212.2	$ 2,557.0
Net income (loss) attributable to Ryerson Holding Corporation	15.6	(15.4)	40.6	(21.0)

The 2011 supplemental pro forma net income (loss) was adjusted to exclude the $5.8 million Singer bargain purchase gain realized in 2011 as it is a nonrecurring item.

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Açofran

On February 17, 2012, the Company acquired 50% of the issued and outstanding capital stock of Açofran, a long products distributor located in São Paulo, Brazil. The Company is party to a put option arrangement with respect to the securities that represent the noncontrolling interest of Açofran. The put is exercisable by the minority shareholders outside of the Company s control by requiring the Company to redeem the minority shareholders equity stake in the subsidiary at a put price based on earnings before interest, income tax, depreciation and amortization expense and net debt. The redeemable noncontrolling interest is classified as mezzanine equity and measured at the greater of estimated redemption value at the end of each reporting period or the historical cost basis of the noncontrolling interest adjusted for earnings and foreign currency allocations. The resulting increase or decrease in the estimated redemption amount is adjusted with a corresponding charge against retained earnings, or in the absence of retained earnings, additional paid-in-capital. The acquisition is not material to our consolidated financial statements.

NOTE 6: LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2012 and December 31, 2011:

	June 30, 2012	December 31, 2011
	(In millions)	
Ryerson Secured Credit Facility	$ 521.0	$ 520.0
12% Senior Secured Notes due 2015	368.7	368.7
Floating Rate Senior Secured Notes due 2014	102.9	102.9
14 1/2 % Senior Discount Notes due 2015	483.0	483.0
Foreign debt	24.8	32.0
Total debt	1,500.4	1,506.6
Less:		
Unamortized discount on Ryerson Holding Notes	166.0	190.4
Short-term credit facility borrowings	11.7	20.0
Short-term foreign debt	24.6	32.0
Total long-term debt	$ 1,298.1	$ 1,264.2

Ryerson Credit Facility

On March 14, 2011, Ryerson amended and restated its $1.35 billion revolving credit facility agreement (as amended, the Ryerson Credit Facility) to, among other things, extend the maturity date to the earliest of (a) March 14, 2016, (b) the date that occurs 90 days prior to the scheduled maturity date of the Floating Rate Senior Secured Notes due November 1, 2014 (2014 Notes), if the 2014 Notes are then outstanding and (c) the date that occurs 90 days prior to the scheduled maturity date of the 12% Senior Secured Notes due November 1, 2015 (2015 Notes) (together, with the 2014 Notes, the Ryerson Notes), if the 2015 Notes are then outstanding. At June 30, 2012, Ryerson had $521.0 million of outstanding borrowings, $22 million of letters of credit issued and $279 million available under the $1.35 billion Ryerson Credit Facility compared to $520.0 million of outstanding borrowings, $22 million of letters of credit issued and $274 million available at December 31, 2011. Total credit availability is limited by the amount of eligible accounts receivable and inventory pledged as collateral under the agreement insofar as Ryerson is subject to a borrowing base comprised of the aggregate of these two amounts, less applicable reserves. Eligible accounts receivable, at any date of determination, are comprised of the aggregate value of all accounts directly created by a borrower in the ordinary course of business arising out of the sale of goods or the rendition of services, each of which has been invoiced, with such receivables adjusted to exclude various ineligible accounts, including, among other things, those to which a borrower does not have sole and absolute title and accounts arising out of a sale to an employee, officer, director, or affiliate of the borrower. The weighted average interest rate on the borrowings under the Ryerson Credit Facility was 2.6 percent and 2.4 percent at June 30, 2012 and December 31, 2011, respectively.

Amounts outstanding under the Ryerson Credit Facility bear interest at a rate determined by reference to the base rate (Bank of America s prime rate) or a LIBOR rate or, for Ryerson s Canadian subsidiary which is a borrower, a rate determined by reference to the Canadian base rate (Bank of America-Canada Branch s Base Rate for loans in U.S. Dollars in Canada) or the BA rate (average annual rate applicable to Canadian Dollar bankers acceptances) or a LIBOR rate and the Canadian prime rate (Bank of America-Canada Branch s Prime Rate.). The spread over the base rate and Canadian prime rate is between 0.75% and 1.50% and the spread over the LIBOR and for the bankers acceptances is between 1.75% and 2.50%, depending on the amount available to be borrowed. Overdue amounts and all amounts owed during the existence of a default bear interest at 2% above the rate otherwise applicable thereto. Ryerson also pays commitment fees on amounts not borrowed at a rate between 0.375% and 0.50% depending on the average borrowings as a percentage of the total $1.35 billion agreement during a rolling three month period.

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Borrowings under the Ryerson Credit Facility are secured by first-priority liens on all of the inventory, accounts receivable, lockbox accounts and related assets of Ryerson, subsidiary borrowers and certain other U.S. subsidiaries of Ryerson that act as guarantors.

The Ryerson Credit Facility contains covenants that, among other things, restrict Ryerson with respect to the incurrence of debt, the creation of liens, transactions with affiliates, mergers and consolidations, sales of assets and acquisitions. The Ryerson Credit Facility also requires that, if availability under such facility declines to a certain level, Ryerson maintain a minimum fixed charge coverage ratio as of the end of each fiscal quarter.

The Ryerson Credit Facility contains events of default with respect to, among other things, default in the payment of principal when due or the payment of interest, fees and other amounts after a specified grace period, material misrepresentations, failure to perform certain specified covenants, certain bankruptcy events, the invalidity of certain security agreements or guarantees, material judgments and the occurrence of a change of control of Ryerson. If such an event of default occurs, the lenders under the Ryerson Credit Facility will be entitled to various remedies, including acceleration of amounts outstanding under the Ryerson Credit Facility and all other actions permitted to be taken by secured creditors.

The lenders under the Ryerson Credit Facility have the ability to reject a borrowing request if any event, circumstance or development has occurred that has had or could reasonably be expected to have a material adverse effect on Ryerson. If Ryerson or any significant subsidiaries of the other borrowers becomes insolvent or commences bankruptcy proceedings, all amounts borrowed under the Ryerson Credit Facility will become immediately due and payable.

Proceeds from borrowings under the Ryerson Credit Facility and repayments of borrowings thereunder that are reflected in the Consolidated Statements of Cash Flows represent borrowings under the Company s revolving credit agreement with original maturities greater than three months. Net proceeds (repayments) under the Ryerson Credit Facility represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

Ryerson Holding Notes

On January 29, 2010, Ryerson Holding issued $483 million aggregate principal amount at maturity of 14 $^{1}/_{2}$ % Senior Discount Notes due 2015 (the Ryerson Holding Notes). No cash interest accrues on the Ryerson Holding Notes. The Ryerson Holding Notes had an initial accreted value of $455.98 per $1,000 principal amount and will accrete from the date of issuance until maturity on a semi-annual basis. The accreted value of each Ryerson Holding Note increased from the date of issuance until October 31, 2010 at a rate of 14.50%. Thereafter the interest rate increased by 1% (to 15.50%) until July 31, 2011, an additional 1.00% (to 16.50%) on August 1, 2011 until April 30, 2012, and increased by an additional 0.50% (to 17.00%) on May 1, 2012 and will continue at such rate until the maturity date. Interest compounds semi-annually such that the accreted value will equal the principal amount at maturity of each note on that date. At June 30, 2012, the accreted value of the Ryerson Holding Notes was $317.0 million. The Ryerson Holding Notes are not guaranteed by any of Ryerson Holding s subsidiaries and are secured by a first-priority security interest in the capital stock of Ryerson. The Ryerson Holding Notes rank equally in right of payment with all of Ryerson Holding s senior debt and senior in right of payment to all of Ryerson Holding s subordinated debt. The Ryerson Holding Notes are effectively junior to Ryerson Holding s other secured debt to the extent of the collateral securing such debt (other than the capital stock of Ryerson). Because the Ryerson Holding Notes are not guaranteed by any of Ryerson Holding s subsidiaries, the notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of Ryerson Holding s subsidiaries, including Ryerson.

The Ryerson Holding Notes contain customary covenants that, among other things, limit, subject to certain exceptions, Ryerson Holding s ability to incur additional indebtedness, pay dividends on its capital stock or repurchase its capital stock, make certain investments or other restricted payments, create liens or use assets as security in other transactions, enter into sale and leaseback transactions, merge, consolidate or transfer or dispose of substantially all of Ryerson Holding s assets, and engage in certain transactions with affiliates.

The Ryerson Holding Notes are redeemable, at our option, in whole or in part, at any time at specified redemption prices. We are required to redeem the Ryerson Holding Notes upon the receipt of net proceeds of certain qualified equity issuances, specified change of controls and/or specified receipt of dividends.

The terms of the Ryerson Notes (discussed below) restrict Ryerson from paying dividends to Ryerson Holding. Subject to certain exceptions, Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of future net income, once prior losses are offset. In the event Ryerson is restricted from providing Ryerson Holding with sufficient distributions to fund the retirement of the Ryerson Holding Notes at maturity, Ryerson Holding may default on the Ryerson Holding Notes unless other sources of funding are available.

Pursuant to a registration rights agreement, Ryerson Holding agreed to file with the SEC by October 26, 2010, a registration statement with respect to an offer to exchange each of the Ryerson Holding Notes for a new issue of Ryerson Holding s debt securities registered under the Securities Act, with terms substantially identical to those of the Ryerson Holding Notes and to consummate an exchange offer no later than February 23, 2011. Ryerson Holding completed the exchange offer on December 7, 2010. As a result of completing the exchange offer, Ryerson Holding satisfied its obligations under the registration rights agreement covering the Ryerson Holding Notes.

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Ryerson Notes

On October 19, 2007, Ryerson issued the Ryerson Notes. The 2014 Notes bear interest at a rate, reset quarterly, of LIBOR plus 7.375% per annum. The 2015 Notes bear interest at a rate of 12% per annum. The Ryerson Notes are fully and unconditionally guaranteed on a senior secured basis by certain of Ryerson s existing and future subsidiaries (including those existing and future domestic subsidiaries that are co-borrowers or guarantee obligations under the Ryerson Credit Facility). At June 30, 2012, $368.7 million of the 2015 Notes and $102.9 million of the 2014 Notes remain outstanding.

The Ryerson Notes and guarantees are secured by a first-priority lien on substantially all of Ryerson and its guarantors present and future assets located in the United States (other than receivables, inventory, related general intangibles, certain other assets and proceeds thereof) including equipment, owned real property interests valued at $1 million or more, and all present and future shares of capital stock or other equity interests of each of Ryerson and its guarantors directly owned domestic subsidiaries and 65% of the present and future shares of capital stock or other equity interests, of each of Ryerson and its guarantor s directly owned foreign restricted subsidiaries, in each case subject to certain exceptions and customary permitted liens. The Ryerson Notes and guarantees are secured on a second-priority basis by a lien on the assets that secure Ryerson s obligations under the Ryerson Credit Facility. The Ryerson Notes contain customary covenants that, among other things, limit, subject to certain exceptions, Ryerson s ability, and the ability of its restricted subsidiaries, to incur additional indebtedness, pay dividends on its capital stock or repurchase its capital stock, make investments, sell assets, engage in acquisitions, mergers or consolidations or create liens or use assets as security in other transactions. Subject to certain exceptions, Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of future net income, once prior losses are offset.

The Ryerson Notes became redeemable by Ryerson, in whole or in part, at any time on or after November 1, 2011, at specified redemption prices. If a change of control occurs, Ryerson must offer to purchase the Ryerson Notes at 101% of their principal amount, plus accrued and unpaid interest.

Pursuant to a registration rights agreement, Ryerson agreed to file with the SEC by July 15, 2008 a registration statement with respect to an offer to exchange each of the notes for a new issue of our debt securities registered under the Securities Act, with terms substantially identical to those of the Ryerson Notes and to consummate an exchange offer no later than November 12, 2008. Ryerson did not consummate an exchange offer by November 12, 2008 and therefore, was required to pay additional interest to the holders of the Ryerson Notes. As a result, Ryerson paid an additional approximately $0.6 million in interest to the holders of the Ryerson Notes with the interest payment on May 1, 2009. Ryerson completed the exchange offer on April 9, 2009. Upon completion of the exchange offer, Ryerson s obligation to pay additional interest ceased.

Foreign Debt

At June 30, 2012, Ryerson China s total foreign borrowings were $23.9 million, which was owed to banks in Asia at a weighted average interest rate of 5.4% secured by inventory and property, plant and equipment. At December 31, 2011, Ryerson China s total foreign borrowings were $32.0 million, of which $30.1 million was owed to banks in Asia at a weighted average interest rate of 6.2% secured by inventory and property, plant and equipment. Ryerson China also owed $1.9 million at December 31, 2011 to other parties at a weighted average interest rate of 0.9%. At June 30, 2012, Açofran s total foreign borrowings were $0.9 million, of which $0.8 million was owed to foreign banks at a weighted average interest rate of 11.7% and $0.1 million was owed to other parties at a weighted average interest rate of zero percent.

Availability under the foreign credit lines was $22 million at June 30, 2012 and December 31, 2011. Letters of credit issued by our foreign subsidiaries totaled $10 million and $6 million at June 30, 2012 and December 31, 2011, respectively.

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NOTE 7: EMPLOYEE BENEFITS

The following table summarizes the components of net periodic benefit cost for the three and six month periods ended June 30, 2012 and 2011 for the Ryerson pension plans and postretirement benefits other than pension:

	Three Months Ended June 30,			
	Pension Benefits		Other Benefits	
	2012	2011	2012	2011
	(In millions)			
Components of net periodic benefit cost				
Service cost	$	$	$	$ 1
Interest cost	10	10	2	2
Expected return on assets	(11)			