

JORGENSEN EARLE M CO /DE/
Form 424B3
March 18, 2005
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Filed Pursuant to Rule 424(b)(3)

Registration No. 333-111882

Earle M. Jorgensen Holding Company, Inc.

10650 Alameda Street
Lynwood, California 90262

March 17, 2005

Dear Stockholder:

Earle M. Jorgensen Holding Company, Inc., or Holding, and its wholly owned subsidiary, Earle M. Jorgensen Company, or EMJ, have agreed to a merger and associated financial restructuring pursuant to which a wholly owned subsidiary of EMJ will acquire Holding and you will become a stockholder of EMJ. Preferred stockholders will receive cash consideration in addition to shares of EMJ common stock.

Concurrently with the merger and financial restructuring, EMJ expects to consummate a public offering of its common stock. The price of the EMJ common stock issued in the public offering will establish its value as consideration in the merger and financial restructuring and the net cash proceeds of the public offering will be used to pay the cash portion of the consideration for the Holding notes, series A preferred stock and series B preferred stock. Consummation of the merger and financial restructuring is conditioned on completion of the public offering.

Our board of directors approved the merger agreement and the merger, subject to the condition that the public offering price of the EMJ common stock is not less than \$7.00 per share and the public offering results in not less than \$100,000,000 of net proceeds to EMJ. You should consider the proposed merger and financial restructuring based on the possibility that this worst case scenario could actually occur (in which case you will receive one share of EMJ common stock for each share of Holding common stock, merger consideration consisting of \$246.01 in cash and 81.52 shares of EMJ common stock for each share of Holding series A preferred stock and merger consideration consisting of \$301.23 in cash and 99.82 shares of EMJ common stock for each share of Holding series B preferred stock).

The preliminary prospectus for the public offering, however, reflects a public offering price of EMJ's common stock of \$15.00 per share, and net proceeds of the public offering equal to \$279,750,000, which would result in you receiving:

one share of EMJ common stock for each share of Holding common stock you own;

merger consideration having a value of \$816.68, consisting of \$688.21 in cash and 8.56 shares of EMJ's common stock for each share of Holding series A preferred stock you own; and

merger consideration having a value of \$1,000, consisting of \$842.70 in cash and 10.49 shares of EMJ's common stock for each share of Holding series B preferred stock you own.

Approval of the merger and financial restructuring requires the affirmative vote of a majority of (a) all issued and outstanding shares of Holding common stock and series B preferred stock, voting together as a class, but excluding the shares of such stock held by Kelso Investment Associates IV, L.P., or KIA IV, and its affiliates; and (b) all issued and outstanding shares of series A preferred stock, voting separately as a class, but excluding the shares of series A preferred stock held by affiliates of KIA IV. We have scheduled a special meeting of stockholders of Holding to obtain this approval. The meeting will be held on April 13, 2005, at 10:00 a.m., Eastern Time, at the offices of Katten Muchin Zavis Rosenman located at 575 Madison Avenue, New York, New York 10022-2585. Our board of directors unanimously adopted and approved the merger agreement and the merger and financial restructuring and recommends that you vote for approval of the merger agreement and the merger and financial restructuring. Some of our directors have potential conflicts of interest arising from their relationship with KIA IV and its affiliates that are more fully described in Additional Summary Information Interests of Certain Persons in Matters to be Acted Upon at page 5 and Certain Relationships and Related Transactions at page 153 of the attached proxy statement/prospectus.

The attached proxy statement/prospectus provides you with detailed information about the merger and financial restructuring and the special meeting. Please carefully review the entire proxy statement/prospectus, including the matters discussed under Risk Factors beginning on page 21 of the attached proxy statement/prospectus, before voting.

David M. Roderick
Chairman of the Board

Maurice S. Nelson, Jr.
President, Chief Executive Officer and
Chief Operating Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be offered pursuant to this proxy statement/prospectus or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated March 17, 2005, and is first being mailed to stockholders on or about March 17, 2005.

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Earle M. Jorgensen Holding Company, Inc.

10650 Alameda Street

Lynwood, California 90262

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON APRIL 13, 2005

We will hold a special meeting of stockholders of Earle M. Jorgensen Holding Company, Inc., or Holding, on April 13, 2005 at 10:00 a.m., Eastern Time, at the offices of Katten Muchin Zavis Rosenman located at 575 Madison Avenue, New York, New York 10022-2585. The purpose of the special meeting is to allow you to consider and vote on a proposal to adopt and approve an Agreement and Plan of Merger and Reorganization, or merger agreement, dated as of December 17, 2004, amended as of January 28, 2005, and further amended as of March 3, 2005, by and among Earle M. Jorgensen Holding Company, Inc., Earle M. Jorgensen Company, or EMJ, and EMJ Metals LLC, a newly formed, wholly owned subsidiary of EMJ, pursuant to which Holding will merge with and into EMJ Metals LLC, with EMJ Metals LLC as the survivor. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A.

The accompanying proxy statement/prospectus describes the proposed merger, the merger agreement and related matters in more detail. We encourage you to read the entire document carefully. In particular, you should carefully consider the discussion entitled *Risk Factors* beginning on page 21. The proxy statement/prospectus sets forth certain appraisal rights that may exist in the event the proposed merger is approved.

The board of directors of Holding set March 1, 2005 as the record date for the special meeting. As a result, holders of record of Holding's series A preferred stock, series B preferred stock and common stock at the close of business on March 1, 2005 are entitled to notice of, and to vote with respect to, all matters applicable to such classes of securities to be acted upon at the special meeting or any adjournment or postponement thereof. A complete list of such stockholders will be available at the headquarters of Holding at 10650 Alameda Street, Lynwood, California 90262, for examination by any stockholder of Holding, for any purpose related to this special meeting, during normal business hours for a period of ten days prior to this special meeting.

All stockholders are cordially invited to attend the special meeting in person. However, whether or not you plan to attend the special meeting in person, you are urged to promptly submit your proxy (1) by completing, signing, dating and returning the enclosed proxy card(s) in the envelope provided, (2) by telephone or (3) over the Internet. The proxy card(s) requires no postage if mailed in the United States in the enclosed, self-addressed return envelope. You may revoke your proxy in the manner described in the accompanying proxy statement/prospectus at any time before your shares have been voted at the special meeting, including by attending the meeting and voting your shares in person.

Your vote is important. If you fail to vote, this will have certain results. If you own shares directly, your failure to vote those shares or an abstention will have the same effect as a vote against the merger and financial restructuring. If you are a participant in the stock bonus plan and your capital stock has been allocated to a rollover account and you fail to direct the plan's trustee as to how those shares are to be voted, the

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trustee will not vote those shares. This will also have the same effect as a vote against the merger and financial restructuring. If you are a participant in the stock bonus plan and your capital stock has not been allocated to a rollover account and you fail to direct the plan's trustee as to how those shares are to be voted or fail to provide instruction with respect to the proposal referenced on your instruction card(s), the trustee will vote those shares at the direction of the benefits committee in favor of the merger and financial restructuring.

You should not send Holding stock certificates with your proxy card(s). After completion of the merger, the exchange/paying agent will send you written instructions for exchanging Holding stock certificates for cash and/or EMJ stock certificates.

If you have any questions, or need assistance in voting your proxy, you may call William S. Johnson, our corporate secretary, at (323) 567-1122.

By order of the Board of Directors

William S. Johnson

VICE PRESIDENT, CHIEF FINANCIAL OFFICER

AND SECRETARY

Lynwood, California

March 17, 2005

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Annex B Exchange Agreement, as amended

Annex C Amended and Restated Certificate of Incorporation of EMJ

Annex D Amended and Restated Bylaws of EMJ

Annex E Amended and Restated Charter of the Audit Committee

Annex F Opinion of Wachovia Capital Markets, LLC

Annex G Opinion of Duff & Phelps, LLC

Annex H Section 262 of the Delaware General Corporation Law

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

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QUESTIONS AND ANSWERS REGARDING THE MERGER AND FINANCIAL RESTRUCTURING

Q: WHAT AM I BEING ASKED TO VOTE ON AT THE MEETING?

A: Earle M. Jorgensen Holding Company, Inc., or Holding, has entered into an agreement and plan of merger and reorganization, or merger agreement, with Earle M. Jorgensen Company, or EMJ, and EMJ Metals LLC, a newly formed wholly owned subsidiary of EMJ. Holding has also entered into an exchange agreement with EMJ, Kelso Investment Associates, L.P., or KIA I, Kelso Equity Partners II, L.P., or KP II, KIA III Earle M. Jorgensen, L.P., or KIA III, and Kelso Investment Associates IV, L.P., or KIA IV. The merger agreement and the exchange agreement set forth the terms of the proposed merger and associated financial restructuring. A copy of each of the merger agreement and exchange agreement is attached to this proxy statement/prospectus as Annex A and Annex B, respectively. For a description of each, see Material Provisions of the Merger Agreement and Exchange Agreement.

The purpose of the special meeting to be held on April 13, 2005 is to allow the stockholders of Holding to consider and vote on a proposal to adopt and approve the merger agreement and the merger and financial restructuring. You are receiving these materials in connection with Holding's solicitation of proxies for the special meeting and because this document is also EMJ's prospectus for the shares of common stock that it will issue in the merger and financial restructuring.

Q: HOW WILL THE MERGER AND FINANCIAL RESTRUCTURING RELATE TO THE CONCURRENT INITIAL PUBLIC OFFERING OF EMJ COMMON STOCK?

A: Concurrently with the merger and financial restructuring, EMJ expects to consummate a public offering of shares of its common stock. As reflected in EMJ's public offering preliminary prospectus dated March 17, 2005, relating to the EMJ public offering, EMJ currently expects to sell 20,000,000 shares in the public offering and receive net proceeds of approximately \$279,750,000 based on an assumed public offering price of \$15.00 per share, the mid-point of the range described on the cover of the public offering preliminary prospectus. See Q: HOW WILL THE MERGER CONSIDERATION AND THE CONSIDERATION TO BE ISSUED IN EXCHANGE FOR THE HOLDING NOTES BE DETERMINED? The net proceeds of the public offering will be allocated to the payment of the cash portion of the exchange consideration of the Holding notes and the cash portion of the merger consideration of the series A preferred stock and the series B preferred stock. **There can be no assurance that the public offering price will be equal to the assumed mid-point of the range or within the range or that the net proceeds of the public offering will be equal to \$279,750,000, as we have assumed.**

Completion of the merger and financial restructuring is conditioned upon (1) consummation of the public offering of EMJ common stock at a public offering price that is not less than \$7.00 and (2) the public offering resulting in at least \$100,000,000 of net proceeds to EMJ. **When voting on the proposed merger and financial restructuring you should consider that this worst case scenario could actually occur, and, if you are a Holding stockholder, you may receive the merger consideration set forth under Q: WHAT WILL THE MERGER CONSIDERATION BE IF THE PUBLIC OFFERING PRICE IS \$7.00 PER SHARE AND THE PUBLIC OFFERING RESULTS IN \$100,000,000 OF NET PROCEEDS TO EMJ?** The closing of the public offering is conditioned upon, and will occur on the same day as, the closing of the merger and financial restructuring.

Q: WHAT IS THE RECOMMENDATION OF THE SPECIAL COMMITTEE AND HOLDING'S BOARD OF DIRECTORS?

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A: A special committee of Holding's board of directors, consisting of Messrs. Mason and Nelson, has unanimously approved the merger agreement and the merger and financial restructuring and unanimously recommended that Holding's board of directors approve the merger agreement and the merger and financial restructuring. Holding's board of directors unanimously adopted and approved the merger agreement and the

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merger and financial restructuring and recommended that its stockholders vote FOR the approval of the merger agreement and the merger and financial restructuring.

Q: WHY WAS THE SPECIAL COMMITTEE FORMED?

A: The special committee was formed because of potential conflicts of interest arising from the relationship of certain directors of Holding with Kelso and its affiliates. As of the record date, KIA IV, the other Kelso funds and Kelso affiliates, including one of our directors, held 8,259,799 shares of Holding common stock, which represented 73.8% of the issued and outstanding shares of Holding common stock, and 24,519 shares of series A preferred stock, which represented 42.6% of the issued and outstanding shares of series A preferred stock. As of the record date, KIA IV also held approximately \$257,100,000 of the Holding notes (including accrued but unpaid interest through September 29, 2004) and warrants to purchase 2,937,915 shares of Holding common stock, which represented all of the outstanding Holding notes and all of the outstanding Holding warrants. Kelso designates five of seven Holding and EMJ directors, two of whom are also principals of Kelso; and Kelso provides financial advisory services to Holding and EMJ for a fee and reimbursement of expenses. These relationships make Kelso and its affiliates interested parties in the proposed transaction. To eliminate the effects of potential conflicts of interest arising from the interests of Kelso and its affiliates in evaluating, negotiating and recommending strategic alternatives to Holding's board of directors, including a possible financial restructuring, Holding's board of directors formed the special committee, composed of two directors who are not affiliated with, and were not designated by, Kelso. See Additional Summary Information Interests of Certain Persons in Matters to be Acted Upon beginning at page 5.

Q: WHY IS HOLDING'S BOARD OF DIRECTORS RECOMMENDING THAT I VOTE FOR THE MERGER?

A: Holding's board of directors believes that the merger and financial restructuring is in the best interests of Holding and its stockholders for the following reasons:

The merger and financial restructuring and the public offering, which is a condition to closing the merger and financial restructuring, will result in:

the exchange of all outstanding Holding notes, including interest accrued through September 29, 2004, valued at approximately \$257,100,000, for shares of EMJ common stock and cash, which will stop the accretion of interest at the rate of 18% per annum (currently resulting in interest accruals of approximately \$48,900,000 per year) that adversely affects the value of each class of capital stock owned by Holding's stockholders;

the conversion of all shares of series A preferred stock issued and outstanding as of the date of this proxy statement/prospectus, valued at approximately \$47,000,000 in the aggregate (including dividends accrued through September 29, 2004), and all shares of series B preferred stock issued and outstanding as of the date of this proxy statement/prospectus, valued at approximately \$27,900,000 in the aggregate (all accumulated dividends have been paid in-kind through September 29, 2004), into shares of EMJ common stock and cash, which will stop the accretion of dividends at rates of 18% and 15½% per annum, respectively (currently resulting in dividend accruals of approximately \$11,200,000 per year in the aggregate), that adversely affects the value of the Holding common stock;

the elimination of the liquidation preference of the Holding notes relative to Holding's capital stock and the elimination of the liquidation preference of Holding's preferred stock relative to Holding's common stock;

simplification of Holding s capital structure;

the receipt by the holders of the series A preferred stock of cash for at least (a) 30.1% of their existing investment, based on the closing condition that the public offering results in at least \$100,000,000 of net proceeds to EMJ, and (b) 84.3% of their existing investment, assuming the

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public offering results in \$279,750,000 of net proceeds to EMJ (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds" in the public offering preliminary prospectus); and

the receipt by the holders of the series B preferred stock of cash for at least (a) 30.1% of their existing investment, based on the closing condition that the public offering results in at least \$100,000,000 of net proceeds to EMJ, and (b) 84.3% of their existing investment, assuming the public offering results in \$279,750,000 of net proceeds to EMJ (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds" in the public offering preliminary prospectus).

No strategic transaction alternative likely to be available now or in the immediate future would result in equal or better compensation to Holding's stockholders, other than Kelso and its affiliates, after providing for the repayment of the Holding notes.

Upon completion of the merger and financial restructuring and the public offering, EMJ will have greater flexibility to pursue capital markets transactions and strategic transactions that are not currently available.

The holders of the series A and series B preferred stock will receive a portion of their merger consideration in cash and, therefore, will be able to diversify a portion of their investments in the securities of Holding.

Completion of the merger and financial restructuring and public offering transactions will provide the holders of Holding's capital stock more liquidity in their investments in EMJ.

For more detail see the recommendations of the special committee and Holding's board of directors, beginning on pages 52 and 55, respectively.

Q: WHAT WILL HAPPEN AS A RESULT OF THE MERGER AND FINANCIAL RESTRUCTURING?

A: As a result of the merger and financial restructuring, Holding and EMJ Metals, LLC, a wholly owned subsidiary of EMJ, will be combined, Holding will cease to exist as the parent company of EMJ, and Holding's securityholders will become the stockholders of EMJ. Holding currently has four different securities (other than warrants and options to purchase its common stock) outstanding:

Holding notes that bear interest at 18% per annum compounded semiannually and have priority over all of the other securities of Holding on liquidation;

series A preferred stock that is entitled to a cumulative annual dividend of 18% and has priority over the series B preferred stock and common stock of Holding on liquidation;

series B preferred stock that is entitled to cumulative quarterly dividends of 15½% per annum and has priority over Holding common stock on liquidation; and

common stock that does not pay dividends and is the lowest ranking security of Holding on liquidation.

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As a result of the merger and financial restructuring, (1) each owner of Holding notes, series A preferred stock and Series B preferred stock will receive cash and EMJ common stock in exchange for his, her or its Holding securities, (2) each owner of Holding common stock will receive EMJ common stock and (3) EMJ will have only one class of securities issued and outstanding.

Q: WHAT WILL I RECEIVE IN THE MERGER?

A: Each share of Holding s common stock will be converted into one share of EMJ s common stock. Assuming that the public offering price is \$15.00, the mid-point of the range described on the cover of the public

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offering preliminary prospectus, and the net proceeds of the public offering applied to payment of the cash portion of the merger and exchange consideration are \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds" in the public offering preliminary prospectus), in the merger and financial restructuring:

each share of series A preferred stock will be converted into merger consideration equal to \$816.68 (which is equal to the appraised value as of March 31, 2004, including accumulated and unpaid dividends from April 1, 2004 through September 29, 2004) consisting of \$688.21 in cash and 8.56 shares of EMJ's common stock; and

each share of series B preferred stock will be converted into merger consideration equal to \$1,000 (which is equal to the liquidation value of each share of series B preferred stock (all accumulated dividends have been paid in-kind through September 29, 2004)) consisting of \$842.70 in cash and 10.49 shares of EMJ's common stock.

There can be no assurance, however, that the public offering price will be equal to the mid-point of, or within, the range described above, or that the net proceeds of the public offering will be equal to \$279,750,000, as we have assumed. Our board of directors approved the merger agreement and the merger subject to the nonwaivable condition that the public offering price of the EMJ common stock is not less than \$7.00 per share and the public offering results in not less than \$100,000,000 of net proceeds to EMJ, and you should consider the proposed merger and financial restructuring based on the possibility that this "worst case" scenario could actually occur (in which case you will receive merger consideration having a value of \$816.68 consisting of \$246.01 in cash and 81.52 shares of EMJ common stock for each share of Holding series A preferred stock you own and merger consideration having a value of \$1,000, consisting of \$301.23 in cash and 99.82 shares of EMJ common stock for each share of Holding series B preferred stock you own). A change in the public offering price from the assumed price will affect the number of shares of EMJ common stock received in exchange for each share of series A preferred stock and series B preferred stock. See "Q: HOW WILL THE PUBLIC OFFERING PRICE OF THE EMJ COMMON STOCK AFFECT THE MERGER CONSIDERATION?" A change in the net proceeds of the public offering will affect the amount of cash and the number of shares of EMJ common stock received in exchange for each share of series A preferred stock and series B preferred stock. See "Q: HOW WILL THE AMOUNT OF NET PROCEEDS OF THE PUBLIC OFFERING AFFECT THE MERGER CONSIDERATION?" Fractional shares will be paid in cash in lieu of EMJ common stock.

Q: WHAT ARE THE OTHER COMPONENTS OF THE MERGER AND FINANCIAL RESTRUCTURING?

A: Assuming that the public offering price is \$15.00, the mid-point of the range described on the cover of the public offering preliminary prospectus, and the net proceeds of the public offering applied to payment of the cash portion of the merger and exchange consideration are \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds" in the public offering preliminary prospectus), the merger and financial restructuring also provides that:

Holding's indebtedness will be exchanged for an aggregate of \$216,631,383 in cash and 2,695,862 shares of EMJ's common stock;

the outstanding warrants to purchase shares of Holding common stock will be exchanged for 2,935,956 shares of EMJ's common stock;

the obligations of Holding to issue 3,053,668 shares of common stock under the outstanding Holding stock option agreements will be assumed by EMJ. Upon exercise of such options, EMJ will be obligated to issue an equal number of shares of its common stock at the same exercise price and on the same terms and conditions as provided in the Holding stock option agreements and stock option plan;

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EMJ will establish a new stock incentive plan and the aggregate number of shares of its common stock available for issuance under the plan will equal 5% of the total number of shares of EMJ common stock

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issued and outstanding after giving effect to the consummation of the merger and financial restructuring and public offering. (See Management Stock Incentive Plan at page 146); and

as soon as practicable after, and conditioned upon consummation of, the public offering, EMJ will pay a taxable bonus to its employees on the closing date who are also participants in the stock bonus plan in an aggregate amount of \$8,500,000.

Q: HOW WILL THE MERGER CONSIDERATION AND THE CONSIDERATION TO BE ISSUED IN EXCHANGE FOR THE HOLDING NOTES BE DETERMINED?

A: Concurrently with the merger and financial restructuring, EMJ expects to consummate a public offering of its common stock. The price of a share of EMJ common stock in the public offering will be used in calculating the number of shares of EMJ common stock to be issued as merger consideration and exchange consideration. For the purpose of this proxy statement/prospectus, we have assumed that the public offering price of the EMJ common stock will be \$15.00, the mid-point of the range described on the cover of the public offering preliminary prospectus, and that the net proceeds of the public offering applied to the payment of the cash portion of the merger and exchange consideration will be \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under Use of Proceeds in the public offering preliminary prospectus). There can be no assurance, however, that the public offering price will be equal to the assumed mid-point of, or within, the range or that the net proceeds of the public offering will be equal to approximately \$279,750,000, as we have assumed.

Upon completion of the public offering, all of the net proceeds of the public offering will be applied pro rata to the payment of the Holding notes, the series A preferred stock and the series B preferred stock in the proportion that their respective amounts bear to the aggregate value of the Holding notes, issued and outstanding as of the closing date (including interest accrued through September 29, 2004), and the series A preferred stock and the series B preferred stock, issued and outstanding as of the closing date (including dividends accreted or paid in-kind through September 29, 2004). The aggregate value of the series A preferred stock outstanding as of the record date was approximately \$47,000,000, the aggregate value of the series B preferred stock outstanding as of the record date was approximately \$27,900,000 and the aggregate value of the Holding notes as of the record date was approximately \$257,100,000 (including accrued interest and dividends through September 29, 2004). Accordingly, approximately 14.2% of the net proceeds will be applied to the series A preferred stock, 8.4% of the net proceeds will be applied to the series B preferred stock, and 77.4% of the net proceeds will be applied to the Holding notes. The balance of the respective values of the series A preferred stock, the series B preferred stock and the Holding notes outstanding as of the closing date will be converted into or exchanged for EMJ common stock at the public offering price.

The underwriters in the public offering have the option to purchase up to an additional 3,000,000 shares of common stock from EMJ at the public offering price within 30 days after consummation of the public offering to cover over-allotments. Net proceeds, if any, from the exercise of such option will be applied pro rata to the payment of the Holding notes, series A preferred stock and series B preferred stock in proportion to the aggregate value of these respective securities in lieu of the issuance of shares of EMJ common stock. In order to provide for the possible exercise of the over-allotment option, EMJ is authorized to holdback for a period of 30 days after closing, from the exchange consideration for the Holding notes and the merger consideration for the shares of series A preferred stock shares and series B preferred stock, shares of EMJ common stock sufficient to provide for the exercise of the over-allotment option. Promptly after the end of the 30 day period, EMJ will release the cash and/or shares of EMJ common stock to the holders of the Holding notes, series A preferred stock and series B preferred stock after giving effect to the exercise of the over-allotment option, if any. Unless otherwise noted, the disclosure in this proxy statement/prospectus does not reflect the underwriters exercise of their over-allotment option.

Q: WHAT WILL THE MERGER CONSIDERATION BE IF THE PUBLIC OFFERING PRICE IS \$7.00 PER SHARE AND THE PUBLIC OFFERING RESULTS IN \$100,000,000 OF NET PROCEEDS TO EMJ?

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A: The consummation of the merger and financial restructuring is subject to the nonwaivable condition that the public offering price of the EMJ common stock is not less than \$7.00 per share and the public offering results

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in net proceeds of at least \$100,000,000 to EMJ. The following table illustrates the number of shares of EMJ common stock and the amount of cash that will be paid to the Holding securityholders if this worst case scenario actually occurs and the public offering price of the EMJ common stock is \$7.00 per share and the net proceeds of the public offering are \$100,000,000.

Shares of EMJ Common Stock Issued in the Merger and Financial Restructuring

	Per Share Merger Consideration		EMJ Common Stock		
			Ownership		
	Shares of EMJ Common Stock	Cash	Aggregate Shares Issued	Shares Issued to Employees (1)	Employees % Ownership (2)
<i>Offering price of \$7.00 per share; net proceeds of \$100,000,000</i>					
Common Stock	1.00	\$	14,130,840(3)	2,542,610	4.06%
Series A preferred stock	81.52	246.01	4,693,620	2,694,005	4.30
Series B preferred stock	99.82	301.23	2,783,276	2,781,169	4.44
Holding notes		77,437,492(4)	25,661,689(4)		

- (1) Represents shares of EMJ common stock expected to be issued directly to employees and to the stock bonus plan upon conversion of Holding capital stock.
- (2) Employee percentage ownership was calculated based on 62,589,226 shares of EMJ common stock expected to be outstanding upon completion of the merger and financial restructuring and the public offering if the offering price of the EMJ common stock is \$7.00 per share and the net proceeds to EMJ from the public offering are \$100,000,000. The number of shares of EMJ common stock issued does not include 3,103,668 shares of EMJ common stock issuable upon the exercise of stock options that are expected to be outstanding at closing and 2,461,547 shares of EMJ common stock that are reserved for issuance to the stock bonus plan pursuant to Holding's obligation to make a special contribution to the stock bonus plan, as described under Q: HOW DOES THE AMENDED CONSENT ORDER AND RELEASE ENTERED INTO BY HOLDING, THE STOCK BONUS PLAN AND THE DEPARTMENT OF LABOR AFFECT THE MERGER AND FINANCIAL RESTRUCTURING?
- (3) Represents shares issued as merger and exchange consideration for the Holding common stock and warrants.
- (4) Represents the aggregate cash consideration and number of shares of EMJ common stock that would be received by the holder of the Holding notes upon exchange of the Holding notes.

Q: HOW WILL THE PUBLIC OFFERING PRICE OF THE EMJ COMMON STOCK AFFECT THE MERGER CONSIDERATION?

A: We have assumed for purposes of the disclosure in this proxy statement/prospectus that the public offering price will be \$15.00 per share of EMJ common stock, the mid-point of the range described on the cover of the public offering preliminary prospectus. The actual public offering price will be determined when the public offering is priced, which is expected to occur soon after the special meeting. If the public offering price is greater than \$15.00, the holders of the series A preferred stock, the series B preferred stock and the Holding notes will receive fewer shares of EMJ common stock for their Holding securities. If the public offering price is less than \$15.00, the holders of the series A preferred stock, the series B preferred stock and the Holding notes will receive more shares of EMJ common stock for their Holding securities.

The completion of the merger and financial restructuring is conditioned upon (1) the simultaneous completion of the public offering at a public offering price that is not less than \$7.00 and (2) the public offering resulting in at least \$100,000,000 of net proceeds to EMJ.

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The following table illustrates how the public offering price will affect the number of shares issued to the Holding securityholders, assuming that the net proceeds of the offering are \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under Use of Proceeds in the public offering preliminary prospectus). For purposes of the following table, we have assumed the following four different potential public offering price scenarios: (1) \$14.00 per share, the low end of the range described on the cover of the public offering preliminary prospectus, (2) \$15.00 per share, the mid-point of the range described on the cover of the public offering preliminary prospectus, (3) \$16.00 per share, the high end of the range described on the cover of the public offering preliminary prospectus, and (4) \$7.00 per share, the lowest price permitted under the merger agreement.

Shares of EMJ Common Stock Issued in the Merger and Financial Restructuring

	Per Share Merger Consideration		EMJ Common Stock Ownership		
	Shares of EMJ Common Stock	Cash	Aggregate Shares Issued	Ownership	
				Shares Issued to Employees(1)	Employees % Ownership(2)
<i>Offering price of \$14.00 per share; net proceeds of \$279,750,000</i>					
Common stock	1.00	\$	14,132,938(3)	2,542,610	6.5%
Series A preferred stock	9.18	688.21	528,304	303,231	0.8%
Series B preferred stock	11.24	842.70	313,279	313,042	0.8%
Holding notes		216,631,383(4)	2,888,424(4)		
<i>Offering price of \$15.00 per share; net proceeds of \$279,750,000</i>					
Common stock	1.00	\$	14,133,078(3)	2,542,610	6.8%
Series A preferred stock	8.56	688.21	493,083	283,016	0.8%
Series B preferred stock	10.49	842.70	292,394	292,173	0.8%
Holding notes		216,631,383(4)	2,695,862(4)		
<i>Offering price of \$16.00 per share; net proceeds of \$279,750,000</i>					
Common stock	1.00	\$	14,133,201(3)	2,542,610	7.0%
Series A preferred stock	8.03	688.21	462,266	265,327	0.7%
Series B preferred stock	9.83	842.70	274,120	273,912	0.8%
Holding notes		216,631,383(4)	2,527,371(4)		
<i>Offering price of \$7.00 per share; net proceeds of \$279,750,000</i>					
Common stock	1.00	\$	14,130,840(3)	2,542,610	4.0%
Series A preferred stock	18.35	688.21	1,056,607	606,462	0.9%
Series B preferred stock	22.47	842.70	626,559	626,085	1.0%
Holding notes		216,631,383(4)	5,776,848(4)		

- (1) Represents shares of EMJ common stock expected to be issued directly to employees and to the stock bonus plan upon conversion of the Holding capital stock.
- (2) Employee percentage ownership was calculated based on 39,291,517 shares of EMJ common stock at \$14.00 per share, 37,614,418 shares of EMJ common stock at \$15.00 per share, 36,146,957 shares of EMJ common stock at \$16.00 per share and 64,447,997 shares of EMJ common stock at \$7.00 per share, expected to be outstanding upon completion of the merger and financial restructuring and the public offering. In each case, the number of shares of EMJ common stock issued does not include 3,103,668 shares of EMJ common stock issuable upon the exercise of stock options that are expected to be outstanding at closing and 2,461,547 shares of EMJ common stock that are reserved for issuance to the stock bonus plan pursuant to Holding's obligation to make a special contribution to the stock bonus plan, as described under Q: HOW DOES THE AMENDED CONSENT ORDER AND RELEASE ENTERED INTO BY HOLDING, THE STOCK BONUS PLAN AND THE DEPARTMENT OF LABOR AFFECT THE MERGER AND FINANCIAL RESTRUCTURING?
- (3) Represents shares issued as merger and exchange consideration for the Holding common stock and warrants.

- (4) Represents the aggregate number of shares of EMJ common stock and cash consideration that would be received by the holder of the Holding notes upon exchange of the Holding notes.

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Table of Contents**Q: HOW WILL THE AMOUNT OF NET PROCEEDS OF THE PUBLIC OFFERING AFFECT THE MERGER CONSIDERATION?**

A: We have assumed for purposes of the disclosure in this proxy statement/prospectus that the public offering will yield net proceeds of \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds" in the public offering preliminary prospectus), based on a public offering price of \$15.00, the mid-point of the range described on the cover of the public offering preliminary prospectus and 20,000,000 shares of EMJ common stock being sold in the public offering, described on the cover of the public offering preliminary prospectus. If the net proceeds are greater than \$279,750,000, we will pay more cash and, if the public offering price is the same as the mid-point of the range set forth on the cover of the public offering preliminary prospectus, issue fewer shares to the holders of the series A preferred stock, the series B preferred stock and the Holding notes. Conversely, if the net proceeds are less than \$279,750,000, we will pay less cash and, if the public offering price is the same as the mid-point of the range set forth on the cover of the public offering preliminary prospectus, issue more shares to the holders of the series A preferred stock, the series B preferred stock and Holding notes.

The following table illustrates how the changes in the net proceeds of the public offering will affect the number of shares issued to the Holding securityholders, assuming that the price at which shares are sold in the offering is \$15.00. For purposes of the following table, we have assumed four different potential scenarios, for the net proceeds received by EMJ in the public offering: (1) \$279,750,000 of net proceeds, the estimated net proceeds (before taking into account estimated offering expenses payable by EMJ) as set forth under "Use of Proceeds" in the public offering preliminary prospectus, (2) \$325,000,000 of net proceeds, (3) \$225,000,000 of net proceeds, and (4) \$100,000,000 of net proceeds, the minimum net proceeds required by the merger agreement.

Shares of EMJ Common Stock to be Issued in the Merger and Financial Restructuring

	Per Share Merger Consideration		EMJ Common Stock Ownership		
	Shares of EMJ Common Stock	Cash	Aggregate Shares Issued	Shares Issued to Employees(1)	Employees % Ownership(2)
<i>Net Proceeds of \$279,750,000</i>					
Common stock	1.00	\$	14,133,078(3)	2,542,610(3)	6.8%
Series A preferred stock	8.56	688.21	493,083	283,013	0.8%
Series B preferred stock	10.49	842.70	292,394	292,176	0.8%
Holding notes		216,631,383(4)	2,695,862(4)		
<i>Net Proceeds of \$325,000,000</i>					
Common stock	1.00	\$	14,133,078(3)	2,542,610(3)	6.7%
Series A preferred stock	1.14	799.53	65,815	37,776	0.1%
Series B preferred stock	1.40	979.00	39,027	38,998	0.1%
Holding notes		251,671,848(4)	359,831(4)		
<i>Net Proceeds of \$225,000,000</i>					
Common stock	1.00	\$	14,133,078(3)	2,542,610(3)	6.8%
Series A preferred stock	17.54	553.52	1,010,055	579,743	1.6%
Series B preferred stock	21.48	677.77	598,954	598,501	1.6%
Holding Notes		174,234,357(4)	5,522,331(4)		
<i>Net Proceeds of \$100,000,000</i>					
Common stock	1.00	\$	14,133,078(3)	2,542,610(3)	6.9%
Series A preferred stock	38.04	246.01	2,190,356	1,257,202	3.4%
Series B preferred stock	46.58	301.23	1,298,862	1,297,879	3.5%

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<u>Holding Notes</u>	77,437,492(4)	11,975,455(4)
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- (1) Represents shares of EMJ common stock expected to be issued directly to employees and to the stock bonus plan upon conversion of the Holding capital stock.

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- (2) Employee percentage ownership was calculated based on 37,614,418 shares of EMJ common stock and net proceeds of \$279,750,000, 37,832,783 shares of EMJ common stock and net proceeds of \$325,000,000, 37,350,209 shares of EMJ common stock and net proceeds of \$225,000,000 and 36,746,992 shares of EMJ common stock and net proceeds of \$100,000,000, expected to be outstanding upon completion of the merger and financial restructuring and the public offering. In each case, the number of shares of EMJ common stock issued does not include 3,103,668 shares of EMJ common stock issuable upon the exercise of stock options that are expected to be outstanding at closing and 2,461,547 shares of EMJ common stock that are reserved for issuance to the stock bonus plan pursuant to Holding's obligation to make a special contribution to the stock bonus plan as described under Q: HOW DOES THE AMENDED CONSENT ORDER AND RELEASE ENTERED INTO BY HOLDING, THE STOCK BONUS PLAN AND THE DEPARTMENT OF LABOR AFFECT THE MERGER AND FINANCIAL RESTRUCTURING?
- (3) Represents shares issued as merger and exchange consideration for the Holding common stock and warrants.
- (4) Represents the aggregate number of shares of EMJ common stock and cash consideration and number of shares of EMJ common stock that would be received by the holder of the Holding notes upon exchange of the Holding notes.

Q: WHAT WILL THE KELSO FUNDS AND OTHER KELSO AFFILIATES, THE STOCK BONUS PLAN, AND THE OTHER STOCKHOLDERS OF HOLDING RECEIVE IN THE MERGER AND FINANCIAL RESTRUCTURING?

A: Assuming for the purposes of the disclosure in this proxy statement/prospectus that the public offering price will be \$15.00 per share of EMJ common stock, the mid-point of the range described on the cover of the public offering preliminary prospectus, and that the net proceeds of the public offering applied to the payment of the cash portion of the merger and exchange consideration will be \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under Use of Proceeds in the public offering preliminary prospectus), the following table provides specific information regarding the cash and the number of shares of EMJ common stock to be received as merger or exchange consideration by the Kelso funds and other Kelso affiliates, the stock bonus plan and other stockholders of Holding who are not affiliated with Kelso, after giving effect to the merger and financial restructuring and the public offering, with respect to each component of the debt and equity securities of Holding held by such parties prior to the merger and financial restructuring. See also Security Ownership of Certain Beneficial Owners and Management at pages 150-152.

	Number of Shares of Holding stock or Cash Value of Holding Notes(1)	Merger and Exchange Consideration	
		Cash	Shares of EMJ Common Stock
<i>Kelso Funds and Other Kelso Affiliates</i>			
Holding notes	\$ 257,069,318	\$ 216,631,383	2,695,862
Series A preferred stock	24,519	16,874,467	209,994
Holding common stock	8,259,799		8,259,799
Holding warrants	2,937,915		2,935,956
Total		\$ 233,505,850	14,101,611
<i>Stock Bonus Plan</i>			
Series A preferred stock	32,889	\$ 22,634,699	281,677
Series B preferred stock	27,861	23,478,130	292,173
Holding common stock(2)	2,454,119		2,454,119
Total		\$ 46,112,829	3,027,969
<i>Other Stockholders of Holding</i>			
Series A preferred stock	165	\$ 113,535	1,413

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Series B preferred stock	21	17,786	221
Holding common stock	483,204(3)		483,204(3)
		<u> </u>	<u> </u>
Total		\$ 131,321	484,838

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- (1) Represents the aggregate principal amount of Holding notes, number of shares of Holding capital stock and number of shares of Holding stock underlying warrants held by the applicable holder.
- (2) The holdings of the stock bonus plan are as of the date of this proxy statement/prospectus, without giving effect to the up to 2,461,547 shares of common stock to be contributed to the stock bonus plan pursuant to Holding's obligation to make a special contribution to the stock bonus plan.
- (3) Excludes shares issuable upon the exercise of 3,103,668 options to purchase EMJ common stock that are expected to be outstanding at closing.

Q: WHAT WILL THE RELATIVE OWNERSHIP INTERESTS OF THE KELSO FUNDS AND OTHER KELSO AFFILIATES, THE STOCK BONUS PLAN AND THE OTHER STOCKHOLDERS THAT ARE NOT AFFILIATED WITH KELSO BE AFTER CONSUMMATION OF THE MERGER AND FINANCIAL RESTRUCTURING AND THE PUBLIC OFFERING?

A: Assuming for the purposes of the disclosure in this proxy statement/prospectus that the public offering price will be \$15.00 per share of EMJ common stock, the mid-point of the range described on the cover of the public offering preliminary prospectus, and that the net proceeds of the public offering applied to the payment of the cash portion of the merger and exchange consideration will be \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds" in the public offering preliminary prospectus), the following table provides specific information regarding the number of shares of EMJ common stock and the relative percentage ownership of EMJ common stock held by the Kelso funds and other Kelso affiliates, the stock bonus plan and other stockholders of Holding who are not affiliated with Kelso, after giving effect to the merger and financial restructuring and the public offering, compared to the debt and equity securities of Holding held by such parties prior to the merger and financial restructuring. See also "Security Ownership of Certain Beneficial Owners and Management" at pages 150-152.

	Prior to Merger and Financial Restructuring and Offering					After Merger and Financial Restructuring and Offering	
	Holding Common Stock and Warrants	Holding Notes	Series A Preferred Stock	Series B Preferred Stock	Percentage of Holding Common Stock(1)	EMJ Common Stock	Percentage of EMJ Common Stock(2)
Kelso Funds and other Kelso affiliates	11,197,714	\$ 257,069,318	24,519		79.2%	14,101,611	37.5%
Stock Bonus Plan(3)	2,454,119		32,889	27,861	17.4%	3,027,969	8.0%
Other stockholders of Holding or EMJ(4)	483,204		165	21	3.4%	20,484,838	54.5%

- (1) The percentage of Holding common stock was calculated including shares issuable upon the exercise of warrants and excluding shares issuable upon the exercise of 3,053,668 options to purchase Holding common stock and up to 2,461,547 shares of Holding common stock to be contributed to the stock bonus plan pursuant to Holding's obligation to make a special contribution to the stock bonus plan.
- (2) The percentage of EMJ common stock was calculated including shares issued in the merger and financial restructuring and the public offering and excluding shares issuable upon the exercise of 3,103,668 options to purchase EMJ common stock that are expected to be outstanding at closing and up to 2,461,547 shares of Holding common stock to be contributed to the stock bonus plan pursuant to Holding's obligation to make a special contribution to the stock bonus plan.
- (3) The holdings of the stock bonus plan are as of the date of this proxy statement/prospectus, without giving effect to the up to 2,461,547 shares of common stock to be contributed to the stock bonus plan pursuant to Holding's obligation to make a special contribution to the stock bonus plan.
- (4) The Other stockholders of Holding or EMJ are all stockholders other than the Kelso funds and other Kelso affiliates and the stock bonus plan. The columns showing ownership of shares of EMJ common stock after the merger and financial restructuring includes the shares of EMJ common stock to be issued in the initial public offering. The holdings do not include shares issuable upon the exercise of stock options of Holding or EMJ, as applicable.

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Q: HOW WILL SHARES OF EMJ COMMON STOCK BE VALUED FOLLOWING THE MERGER AND FINANCIAL RESTRUCTURING?

A: Following the consummation of the merger and financial restructuring and the public offering, EMJ will cease obtaining appraisals for its common stock and the value of shares of EMJ common stock will be established by trading on the New York Stock Exchange. All of the shares of EMJ common stock issued in connection with the merger and financial restructuring and the public offering will be registered under the Securities Act of 1933, as amended, or the Securities Act, in accordance with this registration statement and the registration statement on Form S-1 filed in connection with the public offering and listed for trading on the New York Stock Exchange under the trading symbol JOR. This means the shares issued pursuant to the merger and financial restructuring and public offering transactions will be freely tradable without restriction or further registration under the Securities Act, unless held by an affiliate as that term is defined in Rule 144 under the Securities Act or subject to the terms of certain lock-up agreements, transfer restriction agreements or restrictions on transfer contained in the stock bonus plan. See Material Provisions of the Merger Agreement and Exchange Agreement Federal Securities Law Consequences at page 91, Transfer Restrictions Lock-up Agreements at page 91, Transfer Restrictions Transfer Restriction Agreements at page 92, Comparison of Securities and Stockholder Rights at page 98 and Transfer Restrictions Stock Bonus Plan Restrictions at page 92. The underwriters in the public offering have informed us that they intend to make a market in EMJ common stock. However, the underwriters are not obliged to make a market in EMJ common stock and any market-making may be discontinued at anytime without prior notice. Therefore, an active trading market for EMJ common stock may not develop or, if it does develop, may not continue. As a result, the market price for EMJ common stock, as well as your ability to sell EMJ common stock, could be adversely affected. Therefore, you should not view the public offering price as any indication of the prices that will prevail in the trading market.

Pursuant to Section 262 of the Delaware General Corporation Law, any holder of any class of Holding capital stock that does not wish to accept the merger consideration may dissent from the merger and financial restructuring and elect to have the fair value of such stockholder's shares of Holding capital stock (exclusive of any element of value arising from the accomplishment or expectation of the merger and financial restructuring) judicially determined and paid to the stockholder in cash, together with the fair rate of interest. See Q: WHAT RIGHTS DO I HAVE IF I OPPOSE THE MERGER AND FINANCIAL RESTRUCTURING at page QA-16.

Q: WHO IS ELIGIBLE TO VOTE ON THE MERGER AND FINANCIAL RESTRUCTURING?

A: Each holder of record of the common stock, series A preferred stock and series B preferred stock of Holding as of March 1, 2005, the record date, is eligible to vote. Each such holder will have one vote for each share of capital stock owned by him, her or it. Holding's stock bonus plan is the record owner of certain shares of common stock, series A preferred stock and series B preferred stock. Each participant in Holding's stock bonus plan will be entitled to instruct the trustee of the stock bonus plan how to vote the shares of Holding common stock, series A preferred stock and series B preferred stock allocated to the participant's account.

Q: IF I OWN SHARES OF SERIES A PREFERRED STOCK AND SHARES OF COMMON STOCK OR SERIES B PREFERRED STOCK, EITHER DIRECTLY OR AS A PARTICIPANT IN HOLDING'S STOCK BONUS PLAN, WHAT WILL I RECEIVE WITH RESPECT TO THE VOTING OF MY SHARES?

A: If you own shares of Holding's series A preferred stock directly, you will receive a yellow proxy card to vote your shares. If you own shares of Holding's common stock or series B preferred stock directly, you will receive a white proxy card to vote your shares. If you own shares of series A preferred stock and shares of either common stock or series B preferred stock, directly, you will receive two proxy cards, one yellow proxy card to vote your shares of series A preferred stock, and one white proxy card to vote your shares of common stock and/or series B preferred stock. UNLESS VOTING BY INTERNET, BY TELEPHONE OR IN PERSON, TO HAVE ALL OF YOUR SHARES OF SERIES A PREFERRED STOCK AND SHARES OF COMMON STOCK AND/OR SERIES B PREFERRED STOCK VOTED, YOU MUST RETURN

BOTH THE YELLOW PROXY CARD

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AND THE WHITE PROXY CARD IN ACCORDANCE WITH THE DIRECTIONS DISCUSSED BELOW. See Q: HOW DO I VOTE ON THE MERGER AND FINANCIAL RESTRUCTURING?

If you own shares of Holding's series A preferred stock as a participant in Holding's stock bonus plan, you will receive a yellow instruction card to direct the vote of your shares. If you own shares of Holding's common stock or series B preferred stock as a participant in Holding's stock bonus plan, you will receive a white instruction card to direct the vote of your shares. If you own shares of series A preferred stock and shares of either common stock or series B preferred stock as a participant in Holding's stock bonus plan, you will receive two instruction cards, one yellow instruction card to vote your shares of series A preferred stock, and one white instruction card to vote your shares of common stock and/or series B preferred stock. **UNLESS VOTING BY INTERNET, BY TELEPHONE OR IN PERSON, TO HAVE ALL OF YOUR SHARES OF SERIES A PREFERRED STOCK AND SHARES OF COMMON STOCK AND/OR SERIES B PREFERRED STOCK VOTED, YOU MUST RETURN BOTH THE YELLOW INSTRUCTION CARD AND THE WHITE INSTRUCTION CARD IN ACCORDANCE WITH THE DIRECTIONS DISCUSSED BELOW. See Q: HOW DO I VOTE ON THE MERGER AND FINANCIAL RESTRUCTURING?**

Q: HOW DO I VOTE ON THE MERGER AND FINANCIAL RESTRUCTURING?

A: If you own your shares of Holding capital stock directly (i.e., not through the stock bonus plan), you may use the enclosed proxy card(s) to vote. Just indicate on your proxy card(s) how you want to vote, sign your proxy card(s) and mail it in the enclosed postage-paid envelope as soon as possible so that your shares of capital stock will be represented at the special meeting. Your proxy must be received by Holding c/o American Stock Transfer & Trust Company, or AST, not later than the day prior to the special meeting. You may attend the special meeting and vote your shares of capital stock in person, rather than voting by proxy. Stockholders of record can also vote by telephone or on the Internet. If you are a stockholder of record, please refer to your proxy card(s). Each such stockholder may vote by calling the toll-free telephone number noted on the proxy cards (available to stockholders within the United States only) or by accessing the website for Internet voting noted on the proxy cards. Telephone and Internet voting are available 24 hours a day and will be accessible until 11:59 p.m. (Eastern Time) on April 12, 2005. **IF YOU VOTE BY TELEPHONE OR ON THE INTERNET, YOU DO NOT NEED TO RETURN YOUR PROXY CARD(S).** See The Special Meeting Proxies, Voting and Revocation at page 79.

Shares of series A preferred stock, series B preferred stock and/or common stock represented at the special meeting by properly executed proxies received prior to or at the special meeting, and not revoked, will be voted at the special meeting, and at any adjournments or postponements of that meeting, in accordance with the instructions on those proxies. If a proxy is duly executed and submitted without voting instructions or fails to vote on one or more of the proposals referenced on the proxy card, the shares of series A preferred stock, series B preferred stock and/or common stock represented by that proxy will be voted **FOR** the approval of the merger agreement and the merger and financial restructuring. If you vote your shares against the merger or financial restructuring pursuant to the terms of the merger agreement, but failed to give instructions on adjournment the proxy holder cannot exercise discretion to vote in favor of the adjournment or postponement of the special stockholders meeting, if an adjournment or postponement is sought to obtain additional votes to approve the merger.

If you are a participant in Holding's stock bonus plan, you are entitled to instruct the trustee as to how to vote the capital stock of Holding held in your stock bonus plan account. You have been provided with instruction card(s) to instruct the trustee how to vote. You should indicate on your instruction card(s) how you want your shares to be voted and mail the instruction card(s) in the enclosed postage paid envelope to the trustee of Holding's stock bonus plan. It must be received by the trustee c/o AST not later than two days prior to the special meeting. Participants in Holding's stock bonus plan can also instruct the trustee by telephone or on the Internet. If you are a participant in Holding's stock bonus plan, please refer to your instruction card(s). Each participant may instruct the trustee by calling the toll-free telephone number noted on the instruction card(s) (available to participants within the United States only) or by accessing the website for providing instructions via the Internet

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noted on the instruction card(s). Providing instructions by telephone or the Internet may be accomplished 24 hours a day and will be accessible until 11:59 p.m. (Eastern Time) on April 11, 2005, two days prior to the date of the special meeting. IF YOU INSTRUCT THE TRUSTEE BY TELEPHONE OR ON THE INTERNET, YOU DO NOT NEED TO RETURN YOUR INSTRUCTION CARD(S). See The Special Meeting Participants in Holding s Stock Bonus Plan at page 78.

If you are a participant in the stock bonus plan and your capital stock has not been allocated to a rollover account and you fail to validly deliver the instruction card(s) to the trustee c/o AST as to how those shares are to be voted or fail to instruct the trustee c/o AST concerning the proposal referenced on the instruction card(s), the trustee will vote those shares for the adoption and approval of the merger agreement and the merger and financial restructuring as directed by the benefits committee.

Q: WHAT VOTE IS REQUIRED TO APPROVE THE MERGER AND FINANCIAL RESTRUCTURING?

A: The approval of the merger and financial restructuring will require:

the approval of a majority of the issued and outstanding shares of Holding s common stock and series B preferred stock, voting together as a class;

the approval of a majority of the issued and outstanding shares of Holding s series A preferred stock, voting separately as a class;

the approval of a majority of the issued and outstanding shares of Holding s common stock and series B preferred stock, voting together as a class, but excluding shares of such stock owned by the Kelso funds and other Kelso affiliates; and

the approval of a majority of the issued and outstanding shares of Holding s series A preferred stock, voting separately as a class, but excluding shares of such stock owned by the Kelso funds and other Kelso affiliates.

As of the record date, Kelso and its affiliates, including one of our directors, held an aggregate of 8,259,799 shares of Holding common stock, which represented 73.8% of the issued and outstanding shares of common stock and 73.6% of the issued and outstanding shares of Holding common stock and series B preferred stock, and KIA I held 24,519 shares of Holding s series A preferred stock, which represented 42.6% of Holding s issued and outstanding shares of series A preferred stock. Each of the Kelso funds has agreed to vote all of the Holding common stock and series A preferred stock owned by it in favor of the merger and financial restructuring. Therefore, as a practical matter, the determination of whether or not the merger and financial restructuring is approved will turn on the vote of the stockholders other than Kelso and its affiliates.

Q: WHAT IF I DO NOT CAST A VOTE?

A: If you own shares directly, the failure to vote those shares or an abstention will have the same effect as a vote against the merger and financial restructuring.

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If you are a participant in the stock bonus plan and your capital stock has been allocated to a rollover account and you fail to direct the trustee as to how those shares are to be voted, the trustee will not vote those shares. This will have the same effect as a vote against the merger and financial restructuring.

If you are a participant in the stock bonus plan and your capital stock has not been allocated to a rollover account and you fail to direct the trustee as to how those shares are to be voted, the trustee will vote those shares at the direction of the benefits committee in favor of the merger and financial restructuring.

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Q: HOW CAN I CHANGE MY VOTE?

A: If you own your shares directly, you may revoke your proxy. A proxy may be revoked by the person who executed it at, or before, the special meeting by: (1) delivering to American Stock Transfer & Trust Company a written notice of revocation of a previously-delivered proxy bearing a later date than the proxy; (2) duly executing, dating and delivering to American Stock Transfer & Trust Company a subsequent proxy; or (3) attending the special meeting and voting in person. Attendance at the special meeting will not, in and of itself, constitute revocation of a proxy. In addition, if you voted by telephone or the Internet and you desire to revoke your proxy or change your vote, you may revoke your proxy or recast your vote by telephone or via the Internet at any time 24 hours a day until 11:59 p.m. (Eastern time) on April 12, 2005.

If you are a participant in Holding's stock bonus plan, you must notify the trustee of Holding's stock bonus plan if you desire to change the instructions you gave the trustee of Holding's stock bonus plan with respect to the voting of the shares held in your stock bonus plan account, and you may do so by submitting a new instruction card(s), which must be received by the trustee, c/o American Stock Transfer & Trust Company, prior to 11:59 p.m. (Eastern time) on April 11, 2005, two days prior to the special meeting. In addition, if you instructed the trustee of the stock bonus plan with respect to the voting of the shares held in your stock bonus plan account by telephone or the Internet and you desire to revoke or change those instructions, you may revoke or change your instructions by telephone or via the Internet at any time 24 hours a day until 11:59 p.m. (Eastern time) on April 11, 2005, two days prior to the date of the special meeting.

To get a new proxy or instruction card, you must call Holding's corporate secretary, William S. Johnson, at (323) 567-1122.

Q: WHAT IF I RECEIVE MORE THAN ONE PROXY CARD OR INSTRUCTION CARD?

A: This may mean your Holding shares are registered in different ways (for example you own Holding stock directly and through the stock bonus plan), you own both series A preferred stock and series B preferred stock or common stock, or your shares are in more than one account. Please provide voting instructions for all proxy cards and instruction cards you receive to ensure that all of your Holding shares are voted at the special meeting. See **Q: IF I OWN SHARES OF SERIES A PREFERRED STOCK AND SHARES OF COMMON STOCK OR SERIES B PREFERRED STOCK, EITHER DIRECTLY OR AS A PARTICIPANT IN HOLDING'S STOCK BONUS PLAN, WHAT WILL I RECEIVE WITH RESPECT TO THE VOTING OF MY SHARES?**

Q: WHAT ARE THE PRINCIPAL NEGATIVE CONSEQUENCES OF THE MERGER AND FINANCIAL RESTRUCTURING?

A: As a result of the merger and financial restructuring and the public offering, Holding stockholders will lose certain rights and benefits that they currently have:

Series A preferred stockholders will lose:

the preference that they have over the series B preferred stock and the common stock with respect to dividends and the proceeds of a liquidation, including a sale transaction;

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the right to receive dividends at the rate of 18% per annum, which dividends are not paid on a current basis and can only be realized upon the exercise of put rights on termination of employment, diversification of a participant's account in accordance with the terms of the stock bonus plan or upon a liquidation, including a sale of Holding;

certain class voting rights that enable the holders of a majority of the series A preferred stock to block a transaction, such as a sale transaction, that adversely affects their rights; and

the right of the holders of a majority of the series A preferred stock to elect one member of the Holding board of directors.

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Series B stockholders will lose:

the preference that they have over the common stock with respect to dividends and the proceeds of a liquidation, including a sale transaction; and

the right to receive dividends at the current rate of 15½% per annum, which dividends are paid in additional shares of series B preferred stock and can only be realized upon the exercise of put rights on termination of employment, diversification of a participant's account in accordance with the terms of the stock bonus plan or upon a liquidation, including a sale of Holding.

Holders of common stock will suffer significant dilution of their voting power. In addition, upon consummation of the merger and financial restructuring and the public offering, the Holding stockholders agreement will terminate, including the right of the employee common stockholders to appoint two members of the board of directors pursuant to that agreement.

For more detail see Risk Factors beginning on page 21 and Additional Summary Information Comparison of Securities and Stockholder Rights beginning on page 3.

Q: WHAT STEPS DID THE SPECIAL COMMITTEE AND HOLDING'S BOARD OF DIRECTORS TAKE TO DETERMINE THAT THE PRICE PER SHARE I WILL RECEIVE IN THE PROPOSED MERGER AND FINANCIAL RESTRUCTURING IS FAIR TO ME FROM A FINANCIAL POINT OF VIEW?

A: The special committee engaged Wachovia Capital Markets, LLC, or Wachovia Securities, as its financial advisor to assist it in connection with a potential merger and financial restructuring of Holding, and Wachovia Securities has provided a written opinion addressed to the special committee that, as of December 16, 2004, and subject to and based upon assumptions made, procedures followed, matters considered and limitations of the review undertaken, the aggregate consideration to be received by the stockholders of Holding, other than Kelso and its affiliates, in connection with the merger and financial restructuring pursuant to the merger agreement is fair from a financial point of view to such stockholders of Holding. The fairness opinion of Wachovia Securities compares the value of the cash and new EMJ common stock to be received in the merger and financial restructuring to the value of the Holding common stock, series A preferred stock and series B preferred stock owned by the stockholders, other than Kelso and its affiliates, prior to consummation of the transaction. Wachovia Securities performed its valuation analysis in support of its fairness opinion as of December 16, 2004, using current financial information for Holding and EMJ and other available industry information. At the request of the special committee and the board of directors of Holding, Wachovia Securities updated its valuation analysis in support of its fairness opinion as of March 1, 2005 using current financial information for Holding and EMJ and other available industry information and made a further report to the special committee and the Holding board of directors on March 3, 2005. The special committee and the board of directors of Holding determined that an updated analysis, and not a new fairness opinion, would be sufficient at this time in light of the required delivery of an updated fairness opinion immediately prior to the special meeting of stockholders. Delivery of an updated fairness opinion by Wachovia Securities immediately prior to the special meeting of stockholders, using current financial information of Holding and EMJ and other available industry information and reaching the same conclusion as to fairness of the transaction as the December 16, 2004 opinion, is a condition to closing that cannot be waived by Holding. For a more detailed discussion of the reasons for the determination of the special committee and Holding's board of directors, see the discussions beginning on pages 52 and 55, respectively. For a more detailed discussion of the Wachovia Securities fairness opinion, see the discussions beginning on page 58.

Q: WHAT STEPS DID THE BENEFITS COMMITTEE TAKE ON BEHALF OF THE STOCK BONUS PLAN TO EVALUATE THE PROPOSED MERGER AND FINANCIAL RESTRUCTURING?

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A: The benefits committee engaged Duff & Phelps, LLC, or Duff & Phelps, as its financial advisor to assist it in connection with a potential merger and financial restructuring of Holding, and Duff & Phelps has provided a written opinion addressed to the benefits committee that, as of December 16, 2004, and subject to and based upon assumptions made, procedures followed, matters considered and limitations of the review undertaken, (1) the aggregate consideration to be received by the stock bonus plan in connection with the merger and financial restructuring of Holding and its subsidiaries and the public offering is fair to the stock bonus plan and its

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participants from a financial point of view, and (2) the consideration to be received by the stock bonus plan pursuant to the merger agreement in exchange for the (a) series A preferred stock, (b) series B preferred stock and (c) Holding common stock, considered independently in each case, is not less than the respective fair market value of such securities. The fairness opinion of Duff & Phelps compares the value of the cash and new EMJ common stock to be received in the merger and financial restructuring to the value of each of the Holding securities owned by the stock bonus plan and the participants prior to the proposed transaction. Duff & Phelps performed its valuation analysis in support of its fairness opinion as of December 16, 2004, using current financial information for Holding and EMJ and other available industry information. At the request of the benefits committee, Duff & Phelps updated its valuation analysis in support of its fairness opinion as of March 2, 2005 using current financial information for Holding and EMJ and other available industry information and made a further report to the benefits committee, the special committee and the Holding board of directors on March 3, 2005. The benefits committee determined that an updated analysis, and not a new fairness opinion, would be sufficient at this time in light of the required delivery of an updated fairness opinion immediately prior to the special meeting of stockholders. Delivery of an updated fairness opinion by Duff & Phelps immediately prior to the special meeting of stockholders, using current financial information of Holding and EMJ and other available industry information and reaching the same conclusion as to fairness of the transaction as the December 16, 2004 opinion, is a condition to closing that cannot be waived by Holding. For a more detailed discussion of the Duff & Phelps fairness opinion, see the discussions beginning on page 68.

Based on all of the information available to them, including their familiarity with EMJ, its business, financial condition and prospects, the fairness opinion, presentation and analyses provided by Duff & Phelps and management's projections for EMJ's next fiscal year, the members of the benefits committee determined in good faith that the stock bonus plan would receive not less than the fair market value for each class of Holding's equity securities converted into cash and/or EMJ common stock in the merger and financial restructuring.

Q: WHAT ARE THE TAX CONSEQUENCES OF THE MERGER AND FINANCIAL RESTRUCTURING TO ME?

A: If the merger is completed, the conversion of shares of Holding common stock by Holding stockholders into shares of EMJ common stock should generally be a nontaxable transaction for federal income tax purposes for Holding common stockholders. The conversion of series A preferred stock and series B preferred stock into cash and shares of EMJ common stock will generally cause a Holding stockholder (other than the stock bonus plan) to recognize gain, if any, to the extent of the cash received, but not a loss, for federal income tax purposes. If your Holding shares are held in the stock bonus plan the conversion of the shares will be a nontaxable transaction for federal income tax purposes. To review the tax consequences of the merger and financial restructuring in greater detail, see Material Federal Income Tax Consequences beginning on page 106. Your tax consequences will depend on your personal situation. You should contact your own tax advisors for a full understanding of the applicable federal, state, local, foreign, and other tax consequences to you resulting from the merger and financial restructuring.

Q: WHAT RIGHTS DO I HAVE IF I OPPOSE THE MERGER AND FINANCIAL RESTRUCTURING?

A: In addition to voting against the merger and financial restructuring, under Section 262 of the Delaware General Corporation Law, any holder of any class or series of Holding capital stock who does not wish to accept the merger consideration may dissent from the merger and financial restructuring and elect to have the fair value of such stockholder's shares of Holding capital stock (exclusive of any element of value arising from the accomplishment or expectation of the merger and financial restructuring) judicially determined and paid to the stockholder in cash, together with the fair rate of interest, if any, provided that the stockholder complies with Section 262 of the Delaware General Corporation Law. A participant in the stock bonus plan who wishes to have the trustee exercise appraisal rights must request in writing that the trustee exercise such rights on the participant's behalf if the participant elects to exercise such rights in lieu of voting for the merger and financial restructuring and receiving the applicable merger consideration. Requests for the trustee to exercise appraisal rights should be sent to Wells Fargo Bank, N.A., Institutional Trust Group, 707 Wilshire Boulevard, 10th Floor, MAC #2818-101, Los Angeles, CA 90017, Attention: Indra Sharma. The trustee has advised us that when a participant requests the trustee to exercise appraisal rights, the trustee will exercise such rights. If, however, you

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have failed to perfect or have effectively withdrawn or lost your right to appraisal and payment under Delaware law, your shares will be deemed to have been converted, as of the effective time of the merger and financial restructuring, into the right to receive the merger consideration and your shares will no longer be dissenting shares. The procedures for exercising dissenter's rights are described under "Appraisal Rights" on pages 88-91.

Q: WHEN DO YOU EXPECT THE MERGER AND FINANCIAL RESTRUCTURING TO BE COMPLETED?

A: We intend to complete the merger and financial restructuring as soon as possible after the special meeting and at the same time as completion of the public offering of EMJ common stock, which we expect will be three or four business days after the special meeting. However, because we do not know exactly when the public offering will be completed and because we must satisfy other conditions before we can close the merger and financial restructuring, we cannot predict exactly when we will close the merger and financial restructuring.

Q: IF THE MERGER AND FINANCIAL RESTRUCTURING IS COMPLETED, WHEN CAN I EXPECT TO RECEIVE THE MERGER CONSIDERATION FOR MY SHARES OF HOLDING STOCK?

A: Promptly after the merger and financial restructuring is completed, each record owner will receive detailed instructions from American Stock Transfer & Trust Company, our exchange/paying agent, regarding the surrender of your stock certificates in exchange for the merger consideration in the form of cash and/or shares of EMJ common stock. You should not send your stock certificates to us or anyone else until you receive those detailed instructions. The stock bonus plan trustee will take all necessary action to exchange the share certificates issued in the name of the stock bonus plan.

Q: WHAT WILL HAPPEN TO MY SHARES OF HOLDING STOCK AFTER THE MERGER AND FINANCIAL RESTRUCTURING?

A: After completion of the merger and financial restructuring, each of your shares of Holding capital stock will represent solely the right to receive the applicable merger consideration in the form of cash and/or shares of EMJ's common stock. The EMJ common stock will be listed for trading on the New York Stock Exchange under the symbol "JOR".

Q: HOW DOES THE AMENDED CONSENT ORDER AND RELEASE ENTERED INTO BY HOLDING, THE STOCK BONUS PLAN AND THE DEPARTMENT OF LABOR AFFECT THE MERGER AND FINANCIAL RESTRUCTURING?

A: Holding, the stock bonus plan and the United States Department of Labor, or DOL, agreed to amend the consent order and release applicable to the stock bonus plan in December 2004. The amended consent order was entered on January 3, 2005. Pursuant to the amended consent order, Holding is no longer required to use the appraisal methodology followed in the past by its appraisal firm in performing the annual appraisal for the stock bonus plan, and the Holding guaranty that certain shares of common stock held by the stock bonus plan will be repurchased at a price that is not less than \$4.25 per share has been reduced to \$2.15 per share. The amended consent order provides for termination of the floor price upon consummation of a transaction such as the merger and financial restructuring.

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To offset the reduction in the appraised value of shares of Holding common stock that will result from the change in appraisal methodology, Holding committed to make contributions over the next two years to its stock bonus plan, a supplemental stock bonus plan and a special cash bonus plan. The aggregate economic effect of the Holding commitment is to issue and/or pay to each stock bonus plan participant 1.0817 additional shares of common stock (or, in certain cases where the participant is no longer employed by EMJ, its cash equivalent) with respect to each share of common stock held by the stock bonus plan. The compensating contributions will be made in the form of contributions of Holding common stock (or, after the merger and financial restructuring,

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EMJ common stock) to the stock bonus plan, the allocation of units (equivalent to a share of Holding common stock) to the accounts of certain employees in a supplemental stock bonus plan and the payment of cash bonuses to former employees of EMJ who still have shares of Holding common stock in the stock bonus plan, all in a manner that complies with the requirements of the Internal Revenue Code and the Employee Retirement Income Security Act of 1974, or ERISA.

Q: WHAT DO I NEED TO DO NOW?

A: This proxy statement/prospectus contains important information regarding the special meeting, the merger agreement and the merger and financial restructuring, as well as information about EMJ and Holding. It also contains important information about what Holding's board of directors and the special committee considered in approving the merger agreement and the merger and financial restructuring. We urge you to read this proxy statement/prospectus carefully, including its appendices, and vote your shares. You may also want to review the public offering preliminary prospectus. Please see "Where You Can Find Additional Information About Us" at page 156 for instructions if you wish to read and copy the registration statement on Form S-4 and all of its exhibits and schedules, which we filed with the Commission and which contains this proxy statement/prospectus; or if you wish to read and copy the registration statement on Form S-1 and all of its exhibits and schedules, which we filed with the Commission in connection with the public offering and which contains the public offering preliminary prospectus.

WHO CAN HELP ANSWER YOUR QUESTIONS

If you would like additional copies of this document, or if you would like to ask any additional questions about the merger and financial restructuring, you should contact:

Earle M. Jorgensen Company
10650 Alameda Street
Lynwood, California 90262
(323) 567-1122
Attention: William S. Johnson
Vice President, Chief Financial Officer and Secretary

Katten Muchin Zavis Rosenman
2029 Century Park East, Suite 2600
Los Angeles, California 90067
(310) 788-4690
Attention: Mark A. Conley, Esq.

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THIS SUMMARY HIGHLIGHTS ONLY SOME OF THE INFORMATION IN THIS PROXY STATEMENT/PROSPECTUS AND MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. WE URGE YOU TO READ CAREFULLY THE ENTIRE DOCUMENT AND OTHER DOCUMENTS REFERRED TO IN THIS DOCUMENT TO FULLY UNDERSTAND THE MERGER AND FINANCIAL RESTRUCTURING PROPOSAL. IN PARTICULAR, YOU SHOULD READ THE DOCUMENTS ATTACHED TO THIS PROXY STATEMENT/PROSPECTUS, INCLUDING THE MERGER AGREEMENT AND THE FORM OF EARLE M. JORGENSEN COMPANY S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, WHICH ARE ATTACHED AS ANNEX A AND ANNEX C, RESPECTIVELY.

In this proxy statement/prospectus, we sometimes refer to:

Agreement and Plan of Merger and Reorganization, dated as of December 17, 2004, amended as of January 28, 2005, and further amended as of March 3, 2005, among Holding, EMJ and EMJ Metals LLC

Benefits Committee of the Board of Directors of Earle M. Jorgensen Holding Company, Inc.

Earle M. Jorgensen Company, a Delaware corporation and wholly owned subsidiary of Holding

Earle M. Jorgensen Employee Stock Ownership Plan

Earle M. Jorgensen Holding Company, Inc., a Delaware corporation

Earle M. Jorgensen Holding Company, Inc. Stock Option Plan

EMJ Metals LLC, a Delaware limited liability company and wholly owned subsidiary of EMJ, formed to effect the merger

Exchange Agreement, dated as of December 17, 2004, and amended as of March 3, 2005, among Holding, EMJ and the Kelso funds

Holding s 13% Cumulative Preferred Stock, \$.01 par value

Holding s Variable Rate Cumulative Preferred Stock, \$.01 par value

Kelso & Company, L.P.

Kelso Equity Partners II, L.P.

Kelso Investment Associates, L.P.

KIA III - Earle M. Jorgensen, L.P.

Kelso Investment Associates IV, L.P., the controlling stockholder of Holding and holder of the Holding notes

Kelso Partners I, L.P.

Kelso Partners III, L.P.

Kelso Partners IV, L.P.

KIA I, KEP II, KIA III and KIA IV collectively

Preliminary prospectus of EMJ, dated as of March 17, 2005, relating to EMJ s proposed initial public offering of its common stock

as:

merger agreement

benefits committee

we, us, our, EMJ or the Company

Holding s stock bonus plan or the stock bonus plan

Holding

Holding s stock option plan or the stock option plan

EMJ Metals LLC

exchange agreement

series A preferred stock

series B preferred stock

Kelso

KEP II

KIA I

KIA III

KIA IV

KP I

KP III

KP IV

Kelso funds

public offering preliminary prospectus

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In this proxy statement/prospectus, we sometimes refer to:	as:
Series A Variable Rate Notes issued by Holding to KIA IV, which are due on June 30, 2013	Holding notes
Securities and Exchange Commission	Commission
Special Committee on Recapitalization of the Board of Directors of Earle M. Jorgensen Holding Company, Inc.	special committee
United States Department of Labor	Department of Labor or DOL
United States Internal Revenue Code of 1986, as amended	Internal Revenue Code

About the Companies

Earle M. Jorgensen Company

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

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

In the 12 months ended December 31, 2004, we had revenues of \$1,474.7 million, net income of \$62.9 million and EBITDA of \$139.9 million. EBITDA is defined and discussed in footnote 4 under the heading Selected Consolidated Financial and Other Data. During fiscal 2004 and the first nine months of fiscal 2005, we handled approximately 7,900 and 8,100 sales transactions per business day, respectively, at an average sale price of approximately \$520 and \$750 per transaction, respectively.

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

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We were formed on May 3, 1990, when affiliates of Kelso & Company, L.P., a private investment firm, acquired control of and combined two leading metals distributors, Earle M. Jorgensen Company (founded in 1921) and Kilsby-Roberts Holding Co. (successor to C.A. Roberts Company, founded in 1915). In connection

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with the combination of these two companies, we became a wholly owned subsidiary of Earle M. Jorgensen Holding Company, Inc., or Holding.

Our principal executive offices are located at 10650 Alameda Street, Lynwood, California 90262, and our telephone number is (323) 567-1122.

Earle M. Jorgensen Holding Company, Inc.

Holding was formed in 1990 to be our parent company. Holding has no operations and no significant assets other than EMJ common stock. Holding has three classes of outstanding capital stock: common stock, series A preferred stock and series B preferred stock. As of the date of this proxy statement/prospectus, KIA IV, the other Kelso funds and other Kelso affiliates, including one of our directors, held 8,259,799 shares of Holding common stock, which represented 73.8% of the issued and outstanding shares of Holding common stock, and 24,519 shares of Holding series A preferred stock, which represented 42.6% of the issued and outstanding shares of Holding series A preferred stock. As of the date of this proxy statement/prospectus, KIA IV also held approximately \$257,100,000 of the Holding notes (including accrued but unpaid interest through September 29, 2004) and warrants to purchase 2,937,915 shares of Holding common stock, which represented all of the outstanding Holding notes and all of the outstanding Holding warrants. After the merger and financial restructuring, Holding will cease to exist and the noteholder and stockholders of Holding will become stockholders of EMJ. Holding is located at 10650 Alameda Street, Lynwood, California 90262. Its telephone number is (323) 567-1122.

EMJ Metals LLC

EMJ Metals LLC was formed as a wholly owned subsidiary of EMJ in order to effect the merger. Prior to the merger and financial restructuring, EMJ Metals LLC will have no assets or operations other than incident to its formation. After the merger and financial restructuring, EMJ Metals LLC will continue to be a subsidiary of EMJ. EMJ has no plans to contribute assets to EMJ Metals LLC or conduct any of its business through EMJ Metals LLC. EMJ Metals LLC is located at 10650 Alameda Street, Lynwood, California 90262. Its telephone number is (323) 567-1122.

Comparison of Securities and Stockholder Rights (Page 98)

Holding currently has three classes of equity securities the series A preferred stock, the series B preferred stock and common stock. The Holding capital stock is subordinate to approximately \$257,100,000 of indebtedness represented by the Holding notes.

As a result of the merger and financial restructuring, all of Holding's series A preferred stock, series B preferred stock and notes will be converted into or exchanged for cash and EMJ common stock and all of Holding's common stock will be converted into EMJ common stock. The holders of all of Holding's capital stock will benefit from the elimination of accruing interest on the Holding notes at the rate of 18% per annum, compounding semiannually, and the elimination of the first right of the holders of the Holding notes to receive the proceeds of any sale or other liquidation of Holding or EMJ.

As a result of the merger and financial restructuring, the former holders of the series A preferred stock will no longer be entitled to:

a fixed dividend of 18% per annum;

a preference upon liquidation over series B preferred stock and common stock;

the right to elect one member to the board of directors because dividends have not been paid; and

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the right to a class vote on certain transactions, such as a merger or sale of Holding, and changes to the terms of the series A preferred stock that would have adversely affected their rights.

However, the former holders of the series A preferred, as holders of EMJ common stock after the merger and financial restructuring, will receive the following benefits:

the right to directly participate in the increase (or decrease) in the equity value of EMJ, together with other holders of EMJ common stock; and

more liquidity with respect to shares of EMJ common stock held by the stock bonus plan and shares of EMJ common stock that are owned directly than they had with the series A preferred stock, subject to restrictions imposed by Rules 144 and 145 of the Securities Act, applicable lock-up agreements, transfer restriction agreements and limitations on the ability of participants to transfer shares of common stock held in the stock bonus plan. See *Material Provisions of the Merger Agreement and Exchange Agreement Federal Securities Law Consequences* at page 91, *Transfer Restrictions Lock-up Agreements* at page 91, *Transfer Restrictions Transfer Restriction Agreements* at page 92, *Comparison of Securities and Stockholder Rights* at page 98 and *Transfer Restrictions Stock Bonus Plan Restrictions* at page 92.

The holders of the series A preferred stock will also receive cash for a portion of their investment, giving them the opportunity to diversify their savings into alternative investments other than EMJ capital stock if they wish.

As a result of the merger and financial restructuring, the former holders of the series B preferred stock will no longer be entitled to:

a fixed dividend of 15 1/2% per annum; and

a preference upon liquidation over the common stock.

However, the former holders of series B preferred stock, as holders of EMJ common stock after the merger and financial restructuring, will receive the following benefits:

the right to directly participate in any increase (or decrease) in the equity value of EMJ, together with the other holders of common stock; and

more liquidity with respect to shares of EMJ common stock held by the stock bonus plan and shares of EMJ common stock that are owned directly than they had with the series B preferred stock, subject to restrictions imposed by Rules 144 and 145 of the Securities Act, applicable lock-up agreements, transfer restriction agreements and limitations on the ability of participants to transfer shares of common stock held in the stock bonus plan. See *Material Provisions of the Merger Agreement and Exchange Agreement Federal Securities Law Consequences* at page 91, *Comparison of Securities and Stockholder Rights* at page 98 and *Transfer Restrictions Stock Bonus Plan Restrictions* at page 92.

The holders of series B preferred stock will also receive cash for a portion of their investment, giving them the opportunity to diversify their savings into alternative investments other than EMJ capital stock if they wish.

The former holders of Holding common stock will have essentially the same rights after the merger and financial restructuring as they have currently, except that they will have more liquidity with respect to shares of EMJ common stock held by the stock bonus plan and shares of EMJ common stock that are owned directly than they had with the shares of Holding common stock, subject to restrictions imposed by Rules 144 and 145 of the Securities Act, applicable lock-up agreements, transfer restriction agreements and limitations on the ability of participants to transfer shares of common stock held in the stock bonus plan. See Material Provisions of the Merger Agreement and Exchange Agreement - Federal Securities Law Consequences at page 91, Transfer Restrictions Lock-up Agreements at page 91, Transfer Restrictions Transfer Restriction Agreements at

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page 92. Comparison of Securities and Stockholder Rights at page 98 and Transfer Restrictions Stock Bonus Plan Restrictions at page 92. In addition to transfer restrictions under securities laws and a lack of a trading market, the shares of series A preferred stock, series B preferred stock and Holding common stock currently held by EMJ employees can only be sold after termination of employment or in limited quantities after age 55 pursuant to the diversification provisions of the stock bonus plan. While the limitations on the ability of participants to transfer shares of common stock held in the stock bonus plan are expected to continue after the completion of the merger and financial restructuring and the public offering, EMJ has amended the stock bonus plan effective at the closing of the merger and financial restructuring to increase the ability of participants to diversify the investment in EMJ common stock in their accounts. See Description of Capital Stock, Certificate of Incorporation and Bylaws Stock Bonus Plan at page 96.

Notwithstanding that EMJ common stock will have substantially the same rights as Holding's common stock, because the number of shares of our common stock outstanding following the merger and financial restructuring will be significantly greater than the number of shares of Holding common stock currently outstanding, the percentage share ownership held by holders of Holding common stock will decrease. As a result, the voting rights of these holders will be diluted. In addition, upon consummation of the merger and financial restructuring and the public offering, the Holding stockholders agreement will be terminated and the employee stockholders will no longer have the right to designate two members of the board of directors. For a more detailed discussion, see the section of this proxy statement/prospectus entitled Risk Factors The voting power of the existing holders of common stock of Holding will be diluted significantly. The right of employee stockholders to designate directors will cease upon termination of the Holding stockholders agreement, and the right of the holders of series A preferred stock to designate a director will cease.

The Special Meeting (Page 77)

A special meeting of stockholders of Holding will be held on April 13, 2005, at 10:00 a.m., Eastern Time, at the offices of Katten Muchin Zavis Rosenman located at 575 Madison Avenue, New York, New York 10022-2585.

Solicitation of Proxies and Expenses

Neither Holding nor EMJ has engaged the services of a proxy solicitor. We intend to use the services of our officers and employees to solicit proxies on behalf of Holding, none of whom shall receive additional compensation for doing so. The cost of solicitation of proxies on behalf of Holding will be borne by us.

Interests of Certain Persons in Matters to be Acted Upon

Certain of Holding's directors and executive officers have interests in the merger and financial restructuring that are different from, or in addition to, the interests of Holding's stockholders generally and that may be regarded as significant in evaluating the merger and financial restructuring proposal.

As of the date of this proxy statement/prospectus, KIA IV, the other Kelso funds and Kelso affiliates, including Frank Nickell, one of our directors, held 8,259,799 shares of Holding common stock, which represented 73.8% of the issued and outstanding shares of Holding common stock, and 24,519 shares of Holding series A preferred stock, which represented 42.6% of the issued and outstanding shares of Holding series A preferred stock. The Kelso funds have agreed to vote all of the Holding capital stock owned by them in favor of the merger agreement and the

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merger. As of the date of this proxy statement/prospectus, KIA IV also held approximately \$257,100,000 of the Holding notes (including accrued but unpaid interest through September 29, 2004) and warrants to purchase 2,937,915 shares of Holding common stock, which represented all of the outstanding Holding notes and all of the outstanding Holding warrants. Upon consummation of the merger and

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financial restructuring and the public offering, the Kelso funds and other Kelso affiliates will own 14,101,611 shares of our common stock, representing 37.5% of our issued and outstanding common stock, and receive \$233,505,850, assuming a public offering price of \$15.00 per share, the mid-point of the range shown on the cover of the public offering preliminary prospectus, and net proceeds of the public offering of \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds" in the public offering preliminary prospectus).

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

Two of our directors, Mr. Nickell and David Wahrhaftig, are general partners of partnerships that control KIA IV and KIA III, Kelso funds that collectively hold a substantial portion of Holding's common stock, all of Holding's notes and all of the warrants to purchase Holding common stock as described above. Mr. Nickell is also the general partner of a partnership that controls the Kelso affiliate that owns 24,519 shares of Holding's series A preferred stock.

Each of David Roderick, William Marquard and John Rutledge is one of the nominees of Kelso on our board of directors and beneficially owns shares of Holding common stock as set forth in "Security Ownership of Certain Beneficial Owners and Management." Kelso & Companies, Inc. is the general partner of Kelso, which is a private investment firm that manages Kelso investment funds, such as KIA III and KIA IV. Mr. Roderick is a member of the board of directors of Kelso & Companies, Inc. and in the past served on the board of directors of other Kelso portfolio companies, including American Standard, Inc., a former Kelso portfolio company. Mr. Roderick received annual fees of \$70,000 in 2001, 2002 and 2003 for his service as a director of Kelso & Companies, Inc. On December 17, 2004, Holding paid Mr. Roderick a bonus of \$202,640 as compensation for his service as chairman of the Holding and EMJ boards of directors. Mr. Marquard is a member of the board of directors of Kelso & Companies, Inc. and until July 2004, was a director and Chairman of the Board of Arkansas Best Corporation, a former Kelso portfolio company. He also was the Chairman of the Board of American Standard, Inc. and a director of Mosler, Inc. during Kelso's ownership. Mr. Marquard received annual fees of \$140,000 in 2001, 2002 and 2003 for his service as a director of Kelso & Companies, Inc. Messrs. Roderick, Marquard and Rutledge have invested in Kelso transactions in the past and may invest in Kelso transactions in the future.

Maurice S. Nelson, Jr. is president, chief executive officer and a member of the special committee and the boards of directors of EMJ and Holding. EMJ paid Mr. Nelson a bonus of \$3,500,000 for his services to EMJ in calendar 2004 (fiscal 2005), including, without limitation, his efforts to improve the operating performance of EMJ and his efforts to implement the merger and financial restructuring and the public offering. On December 16, 2004, Holding paid Mr. Nelson a cash payment of \$3,006,000 (equal to the difference between the appraised value of the Holding common stock as of March 31, 2004 of \$13.76 and the exercise price of \$5.41 per share) in consideration of the redemption of options to purchase 360,000 shares of Holding common stock. Mr. Nelson has agreed for a period of two years following the closing of the public offering to not sell any shares of our common stock acquired by him upon conversion of Holding capital stock in the financial restructuring or by the exercise of Holding stock options that are converted into our stock options in the financial restructuring. In consideration of this transfer restriction, we have extended the exercise period of Mr. Nelson's outstanding stock options two years to January 31, 2009. On December 17, 2004, Mr. Nelson entered into a retention agreement with EMJ.

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whereby we will pay Mr. Nelson a stay bonus of \$3,000,000 on March 31, 2007 if he continues to serve as our president and chief executive officer until the second anniversary of the closing of the public offering. Mr. Nelson will also be paid this bonus if his employment with EMJ (1) terminates due to his death, (2) is terminated by us due to his permanent disability or without cause (as defined in the retention agreement and including a material breach of the transfer restriction described above) or (3) is terminated by Mr. Nelson for good reason (as described in the retention agreement). See *Management Retention Agreement* at page 145 and *Certain Relationships and Related Transactions* at page 153.

Concurrently with the amendment of the consent order and after the redemption of Mr. Nelson's options, Holding amended its stock option plan to adjust the exercise price and the number of shares of Holding common stock that can be purchased pursuant to each option grant to offset the reduction in the appraised value of the Holding common stock resulting from the change in valuation methodology required by the amended consent order for the stock bonus plan. As a result of this change, Mr. Nelson's remaining options to purchase 960,000 shares of Holding common stock at an exercise price of \$5.41 per share were converted into options to purchase 1,693,538 shares of Holding's common stock at an exercise price of \$3.07 per share. In addition, after giving effect to the amendment to the Holding stock option plan, Messrs. Roderick, Marquard and Rutledge hold options to purchase 176,410, 70,564 and 70,564 shares of Holding common stock, respectively, at weighted-average exercise prices of \$3.32, \$3.39 and \$3.39, respectively. In connection with the merger and financial restructuring, all of the issued and outstanding options to purchase shares of Holding common stock will be converted into options to purchase an equal number of shares of EMJ common stock at the same exercise price. Upon pricing of the public offering, each of Messrs. Roderick, Marquard, Rutledge, Mason and O'Donnell will receive a grant of options to purchase 10,000 shares of EMJ common stock at an exercise price equal to the initial public offering price. Such options will vest in full on the six month anniversary of the date of grant.

Conditions to Completion of the Merger Under the Merger Agreement (Page 84)

The completion of the merger and financial restructuring depends on the satisfaction of a number of conditions, including, but not limited to, the following:

entering of an amended consent order with respect to the litigation brought by the Department of Labor against Holding and the stock bonus plan, which was done on January 3, 2005;

adoption of certain amendments to the stock bonus plan, a supplemental stock bonus plan and a cash bonus plan providing for the special contribution with respect to shares of Holding common stock held by the stock bonus plan, which was done on December 17, 2004;

execution and delivery of a transfer restriction agreement by the executive officers and members of senior management, as described under *Transfer Restrictions* *Transfer Restriction Agreements* at page 92.

approval by the Holding board of directors of the price range of EMJ common stock set forth on the cover of the public offering preliminary prospectus and ratification and confirmation by the Holding board of its approval of the merger agreement, the exchange agreement and the transactions contemplated thereby, which was done on March 3, 2005;

approval of the merger agreement and the merger and financial restructuring by the holders of Holding's capital stock;

absence of any legal prohibition or restraint that would prevent consummation of the merger and financial restructuring;

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absence of any stop order suspending the effectiveness of the registration statement of which this proxy statement/prospectus is a part;

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stockholders of Holding shall not have exercised dissenter's rights with respect to more than 5% of the issued and outstanding shares of any class of the capital stock of Holding;

amendment and restatement of EMJ's certificate of incorporation;

receipt of consent and/or an amendment under our credit agreement, which was received on December 14, 2004;

receipt by EMJ of a tax opinion from Katten Muchin Zavis Rosenman, counsel to Holding;

receipt of updated fairness opinions from Wachovia Securities and Duff & Phelps, dated as of the pricing of the public offering, in each case based on the current financial information of Holding and EMJ and other industry information then-available, and in each case stating the same conclusion as to fairness as the opinions delivered when the transaction was approved by the board of directors;

completion of the EMJ public offering at a price of not less than \$7.00 per share of EMJ common stock and resulting in not less than \$100,000,000 of net proceeds to EMJ;

assumption by EMJ of all obligations of Holding with respect to the stock bonus plan, the supplemental stock bonus plan and a former employees bonus plan;

approval for listing of the shares of EMJ common stock to be issued in the merger and financial restructuring on the New York Stock Exchange subject to official notice of issuance; and

assumption by EMJ of all obligations of Holding with respect to the outstanding Holding stock options and written notice to each holder of Holding stock options of such assumption.

Options

Holding adopted the Earle M. Jorgensen Holding Company, Inc. Stock Option Plan, effective January 30, 1997, as amended, for the purpose of providing an equity incentive program for our employees and directors. Concurrently with the amendment of the consent order, Holding amended its stock option plan to offset the adverse effect on the value of the stock options because of the reduction in the appraised value of the Holding common stock resulting from the change in valuation methodology required by the amended consent order. Pursuant to the amendment, the number of shares of Holding common stock that could be purchased upon the exercise of Holding stock options was increased by a factor of 1.7641 and the exercise price of each outstanding stock option was reduced by multiplying the original exercise price by a factor of 0.5669. Holding also increased the number of shares reserved for issuance under the stock option plan to 4,000,000. At the effective time of the merger and financial restructuring, each stock option issued by Holding under the stock option plan, whether vested or unvested, that is then outstanding and unexercised pursuant to the Holding stock option plan will be assumed by us and become an option to purchase an equal number of shares of our common stock, at a per share exercise price equal to the exercise price of such Holding stock option. These options will be subject to the same vesting schedules as the Holding stock options.

In addition, EMJ has adopted a new stock incentive plan that will become effective upon consummation of the merger and financial restructuring and the public offering. Shares of common stock will be available for issuance under EMJ's new stock incentive plan in an aggregate amount equal to 5% of the total number of shares of EMJ common stock issued and outstanding after giving effect to the consummation of the merger and financial restructuring and public offering. To date, no awards have been granted under EMJ's new stock incentive plan. (See

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Management Stock Incentive Plan at page 146.) Upon pricing of the public offering, each of Messrs. Roderick, Marquard, Rutledge, Mason and O'Donnell will receive a grant of options to purchase 10,000 shares of our common stock at an exercise price equal to the initial public offering price. Such options will vest in full on the six month anniversary of the date of grant.

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Public Offering Bonus

As soon as practicable after, and conditioned upon consummation of, the public offering, EMJ has committed to pay a taxable bonus (1) in the aggregate amount of \$7,500,000 to its employees on the date of this proxy statement/prospectus who are also participants in the stock bonus plan, to be allocated to such employees in the proportion that the number of shares of Holding common stock allocated to an employee's stock bonus plan account on December 16, 2004 bears to the aggregate number of shares of Holding common stock allocated to the stock bonus plan accounts of all such employees, which bonus is expected to be approximately \$3.27 per share of Holding common stock held in the stock bonus plan and (2) in the aggregate amount of \$1,000,000 to participants who are not participants in the EMJ management incentive plan or the EMJ sales bonus plan and are scheduled to receive the above-referenced employee bonus in an amount that is less than the maximum bonus that could be allocated to such participants (approximately \$3,337), to be allocated to such employees in an amount that is equal to the difference between such maximum and the amount of the bonus described in clause (1), except if the participant has been employed for less than one year, such person will receive a prorated amount based on actual days of service.

Effective Time of Merger and Financial Restructuring

The merger and financial restructuring will become effective as of the date and time specified in the merger agreement and otherwise in accordance with the Delaware General Corporation Law, which is expected to occur as soon as practicable after stockholder approval of the merger agreement and the merger and financial restructuring and the satisfaction or waiver of all other conditions to closing contained in the merger agreement and at the same time as closing of the public offering of EMJ's common stock.

Termination of the Merger Agreement (Page 85)

Holding may terminate the merger agreement, even after adoption by its stockholders, if its board of directors determines to do so by a majority vote.

Appraisal Rights (Page 88)

Holding's stockholders are entitled to appraisal rights under the Delaware General Corporation Law. EMJ may terminate the merger agreement and the merger and financial restructuring if the holders of more than 5% of the issued and outstanding shares of any class of Holding capital stock elect to exercise appraisal rights.

Accounting Treatment (Page 106)

For accounting purposes, our reorganization will be accounted for as a transfer of assets and exchange of shares between entities under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, the financial position and results of operations of Holding will be included in our consolidated financial statements on a historical cost basis.

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

- (1) Expenses include restructuring charges aggregating \$2,432, \$3,320, and \$1,861 for the fiscal years ended March 31, 2000, 2001 and 2002 in connection with workforce reductions and consolidations and losses from the sale of significant assets in those fiscal years and a special compensation charge of \$2,000 in connection with a payment to our chief executive officer in fiscal 2001.
- (2) Net interest expense includes amortization and write-off of debt issue costs aggregating \$1,482, \$1,482, \$1,792, \$1,416, \$1,323, \$992, \$989 and \$1,320 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the 12 months ended December 31, 2004, respectively, net of interest income of \$636, \$1,179, \$164, \$83, \$81, \$67, \$25 and \$39 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the 12 months ended December 31, 2004, respectively.
- (3) Represents dividends paid to Holding in connection with the repurchase of its capital stock from terminated EMJ employees, as required by the terms of Holding's stockholders agreement and Holding's stock bonus plan. In fiscal 2003, we also paid a dividend to Holding of \$25,000 to be used to repay a portion of the Holding notes.
- (4) EBITDA represents net income before net interest expense, provision for income taxes and depreciation and amortization. Consistent with Item 10(e) of Regulation S-K promulgated under the Securities Act, our EBITDA has not been adjusted to exclude any other non-cash charges or liabilities, such as LIFO adjustments of \$(9,022), \$887, \$590, \$(3,354), \$14,343, \$500, \$42,505 and \$56,348 and accruals for stock bonus plan contributions and postretirement benefits aggregating \$2,862, \$11, \$249, \$498, \$619, \$563, \$611 and \$667 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the 12 months ended December 31, 2004, respectively. In addition, our EBITDA has not been adjusted for the following items: provisions for workforce reductions and consolidations and losses from the sale of significant assets aggregating \$2,432, \$3,320 and \$1,861 for the fiscal years ended March 31, 2000, 2001 and 2002, respectively; special compensation of \$2,000 payable to our chief executive officer in fiscal 2001; excise tax of \$1,919 related to an IRS settlement in fiscal 2002; and a loss of \$12,278 related to early retirement of debt in fiscal 2003. We believe EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of company performance in our industry. Our management believes that EBITDA is useful in evaluating our operating performance between periods and compared to that of our competitors because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary between periods and for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a significant component when measuring our performance in connection with determining incentive compensation. EBITDA is not a recognized measure of operating income, financial performance or liquidity under U.S. generally accepted accounting principles. The items excluded from EBITDA are significant components in understanding and assessing financial performance. Therefore, while providing useful information, our EBITDA should not be considered in isolation or as a substitute for consolidated statement of operations and cash flows data prepared in accordance with U.S. generally accepted accounting principles and should not be construed as an indication of a company's operating performance or as a measure of liquidity. In addition, it should be noted that companies calculate EBITDA differently and, therefore, EBITDA as presented for us may not be comparable to EBITDA reported by other companies. A reconciliation of net income to EBITDA for each of the respective periods indicated is as follows:

	Fiscal Year Ended					Nine Months		Twelve Months
	March 31,					Ended		Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
	(in thousands)					(unaudited)		(unaudited)
Reconciliation of EBITDA:								
Net income	\$ 23,987	\$ 17,798	\$ 5,354	\$ 2,382	\$ 15,252	\$ 5,284	\$ 52,932	\$ 62,900
Depreciation and amortization	9,951	11,035	11,449	11,369	11,284	8,488	8,780	11,576
Net interest expense	41,595	44,855	42,545	47,206	51,093	38,205	40,534	53,422

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Provision for income taxes	1,809	1,223	455	1,500	3,127	1,448	10,297	11,976
EBITDA	\$ 77,342	\$ 74,911	\$ 59,803	\$ 62,457	\$ 80,756	\$ 53,425	\$ 112,543	\$ 139,874

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

	Fiscal Year Ended					Nine Months		Twelve
	March 31,					Ended		Months
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	Ended December 31, 2004
(in thousands)							(unaudited)	(unaudited)
Calculation of COLI effect:								
Cash surrender value policy dividend growth	\$ 14,029	\$ 13,010	\$ 13,521	\$ 17,156	\$ 17,751	\$ 12,411	\$ 15,381	\$ 20,721
Cash surrender value insurance premium	(2,101)	(2,217)	(2,325)	(2,866)	(3,081)	(2,544)	(2,756)	(3,293)
Proceeds (death benefits)		1,230	3,062	1,754	4,851	4,359	318	810
Total operating income impact of COLI	11,928	12,023	14,258	16,044	19,521	14,226	12,943	18,238
Cash surrender value interest	(12,645)	(14,397)	(15,996)	(17,796)	(20,082)	(15,055)	(16,747)	(21,774)
Total pre-tax income impact of COLI	\$ (717)	\$ (2,374)	\$ (1,738)	\$ (1,752)	\$ (561)	\$ (829)	\$ (3,804)	\$ (3,536)

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

Table of Contents**SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA OF HOLDING**

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

EARLE M. JORGENSEN HOLDING COMPANY, INC.

	Year Ended March 31,					Nine Months Ended		Twelve Months
								Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
	(unaudited)							(unaudited)
(in thousands)								
Statement of Operations Data:								
Revenues	\$ 938,252	\$ 1,059,681	\$ 895,058	\$ 919,927	\$ 1,040,367	\$ 718,301	\$ 1,152,589	\$ 1,474,655
Costs of sales	662,803	767,263	641,991	658,562	754,266	518,394	828,735	1,064,607
Gross profit	275,449	292,418	253,067	261,365	286,101	199,907	323,854	410,048
Expenses (1)	208,023	228,498	204,684	210,250	216,609	154,949	220,091	281,751
Income from operations	67,426	63,920	48,383	51,115	69,492	44,958	103,763	128,297
Net interest expense (2)	64,313	69,951	72,433	82,486	89,927	63,587	61,976	88,316
Net income (loss)	1,304	(7,254)	(24,505)	(32,871)	(23,562)	(20,077)	38,074	34,589
Cash Flow Data:								
Capital expenditures	\$ 9,525	\$ 14,475	\$ 24,531	\$ 15,335	\$ 10,530	\$ 6,781	\$ 19,606	\$ 23,355
Purchase of stock (3)	13,372	5,514	14,963	10,587	5,781	4,762	9,866	10,885
Other Data (unaudited):								
EBITDA(4)	\$ 77,377	\$ 74,955	\$ 59,832	\$ 62,484	\$ 80,776	\$ 53,446	\$ 112,543	\$ 139,873
COLI effect (5)	(717)	(2,374)	(1,738)	(1,752)	(561)	(829)	(3,804)	(3,536)
Revenues per employee (6)	484	517	496	539	639	440	693	894
EBITDA per employee (4)(6)	40	37	33	37	50	33	68	85
Average number of employees	1,938	2,051	1,805	1,706	1,628	1,634	1,663	1,649
Tons shipped	601,532	679,610	581,243	603,310	662,213	463,986	571,065	769,292

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	Year Ended March 31,					December 31,
	2000	2001	2002	2003	2004	2004
(in thousands)						(unaudited)
Balance Sheet Data:						
Cash and cash equivalents	\$ 21,690	\$ 23,779	\$ 21,372	\$ 45,413	\$ 15,646	\$ 6,133
Total working capital	159,175	149,501	146,800	165,897	129,252	222,691
Total assets	464,708	484,625	444,506	516,580	537,191	629,107
Long-term debt	408,748	416,419	467,781	540,747	531,135	590,310
Total debt	411,352	420,064	471,376	543,077	535,111	592,630
Total stockholders' equity (deficit)	(146,359)	(160,197)	(202,690)	(245,171)	(273,295)	(241,014)

- (1) Expenses include restructuring charges aggregating \$2,432, \$3,320 and \$1,861 for the fiscal years ended March 31, 2000, 2001 and 2002 in connection with workforce reductions and consolidations and losses from the sale of significant assets in those fiscal years and a special compensation charge of \$2,000 in connection with a payment to our chief executive officer in fiscal 2001.
- (2) Net interest expense includes amortization and write-off of debt issue costs aggregating \$1,482, \$1,482, \$1,792, \$1,416, \$1,323, \$992, \$989 and \$1,320 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the 12 months ended December 31, 2004, respectively, net of interest income of \$505, \$1,179, \$164, \$394, \$159, \$145, \$25 and \$39 for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004, the nine months ended January 1, 2004 and December 31, 2004 and the 12 months ended December 31, 2004, respectively.
- (3) Represents the repurchase of capital stock from terminated EMJ employees, as required by the terms of Holding's stockholders agreement and Holding's stock bonus plan. In fiscal 2003, excludes cash payment made by EMJ to pay a dividend to Holding of \$25,000 in fiscal 2004 used to pay a portion of Holding's notes.
- (4) EBITDA represents net income before net interest expense, provision for income taxes and depreciation and amortization. Consistent with Item 10(e) of Regulation S-K promulgated under the Securities Act, our EBITDA has not been adjusted to exclude any other non-cash charges or liabilities, such as LIFO adjustments of \$(9,022), \$887, \$590, \$(3,354), \$14,343, \$500, \$42,505 and \$56,348 and accruals for stock bonus plan contributions and postretirement benefits aggregating \$2,862, \$11, \$249, \$498, \$619, \$563, \$611 and \$667 for the fiscal years ended March 31, 2000, 2001, 2002, 2003, 2004 and the nine months ended January 1, 2004 and December 31, 2004 and the 12 months ended December 31, 2004, respectively. In addition, our EBITDA has not been adjusted for the following items: provisions for workforce reductions and consolidations and losses from the sale of significant assets aggregating \$2,432, \$3,320 and \$1,861 for the fiscal years ended March 31, 2000, 2001 and 2002, respectively; special compensation of \$2,000 payable to our chief executive officer in fiscal 2001; excise tax of \$1,919 related to an IRS settlement in fiscal 2002; and a loss of \$12,278 related to early retirement of debt in fiscal 2003. We believe EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of company performance in our industry. Our management believes that EBITDA is useful in evaluating our operating performance between periods and compared to that of our competitors because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary between periods and for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a significant component when measuring our performance in connection with determining incentive compensation. EBITDA is not a recognized measure of operating income, financial performance or liquidity under U.S. generally accepted accounting principles. The items excluded from EBITDA are significant components in understanding and assessing financial performance. Therefore, while providing useful information, our EBITDA should not be considered in isolation or as a substitute for consolidated statement of operations and cash flows data prepared in accordance with U.S. generally accepted accounting principles and should not be construed as an indication of a company's operating performance or as a measure of liquidity. In addition, it should be noted that companies calculate EBITDA differently and, therefore, EBITDA as presented for us may not be comparable to EBITDA reported by other companies. A reconciliation of net income to EBITDA for each of the respective periods indicated is as follows:

	Year Ended March 31,					Nine Months Ended		Twelve Months Ended
	2000	2001	2002	2003	2004	January 1, 2004	December 31, 2004	December 31, 2004
(in thousands)								(unaudited)
Reconciliation of EBITDA:								(unaudited)
Net income	\$ 1,304	\$ (7,254)	\$ (24,505)	\$ (32,871)	\$ (23,562)	\$ (20,077)	\$ 38,074	\$ 34,589
Depreciation and amortization(4)	9,951	11,035	11,449	11,369	11,284	8,488	8,780	11,576
Net interest expense	64,313	69,951	72,433	82,486	89,927	63,587	61,976	88,316
Provision for income taxes	1,809	1,223	455	1,500	3,127	1,448	3,713	5,392
EBITDA	\$ 77,377	\$ 74,955	\$ 59,832	\$ 62,484	\$ 80,776	\$ 53,446	\$ 112,543	\$ 139,873



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

	Fiscal Year Ended					Nine Months Ended		Twelve Months Ended
	March 31,					January 1,	December 31,	December 31,
	2000	2001	2002	2003	2004	2004	2004	2004
(in thousands)							(unaudited)	(unaudited)
Calculation of COLI effect:								
Cash surrender value policy dividend growth	\$ 14,029	\$ 13,010	\$ 13,521	\$ 17,156	\$ 17,751	\$ 12,411	\$ 15,381	\$ 20,721
Cash surrender value insurance premium	(2,101)	(2,217)	(2,325)	(2,866)	(3,081)	(2,544)	(2,756)	(3,293)
Proceeds (death benefits)		1,230	3,062	1,754	4,851	4,359	318	810
Total operating income impact of COLI	11,928	12,023	14,258	16,044	19,521	14,226	12,943	18,238
Cash surrender value interest	(12,645)	(14,397)	(15,996)	(17,796)	(20,082)	(15,055)	(16,747)	(21,774)
Total pre-tax income impact of COLI	\$ (717)	\$ (2,374)	\$ (1,738)	\$ (1,752)	\$ (561)	\$ (829)	\$ (3,804)	\$ (3,536)

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

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UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS

Earle M. Jorgensen Company

The following unaudited pro forma condensed combined consolidated balance sheet as of December 31, 2004, and the unaudited pro forma condensed combined consolidated statement of operations for the fiscal year ended March 31, 2004, and nine months ended December 31, 2004, are based on the historical financial statements of EMJ and Holding after giving effect to the merger and financial restructuring and public offering as a combination of entities under common control and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined consolidated financial statements.

The pro forma information is based on the assumptions set forth in the notes to such information. Pro forma adjustments are necessary to reflect the combination and new capital structure. Pro forma adjustments are also necessary to reflect the reduction of interest expense related to the Holding notes.

The unaudited pro forma condensed combined consolidated financial statements should be read in conjunction with EMJ's and Holding's historical consolidated financial statements and accompanying notes for their fiscal year ended March 31, 2004, and nine months ended December 31, 2004, included elsewhere in this proxy statement/prospectus. The unaudited pro forma condensed combined consolidated financial statements are not intended to represent or be indicative of the consolidated results of operations or financial condition of the combined company that would have been reported had the merger and financial restructuring and public offering been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial condition of the combined company.

These pro forma condensed combined consolidated financial statements do not include the effect of recording the obligation of EMJ to contribute 2,461,547 common shares to Holding's stock bonus plan to their fair value at the assumed public offering price of \$15.00 per share. The contribution of the common shares to Holding's stock bonus plan is subject to Internal Revenue Code limits on the amounts that EMJ can contribute to a defined contribution plan in any year for any one individual. At December 31, 2004, EMJ had accrued \$16,270,826 based on a fair value of \$6.61 per share. At \$15.00 per share (the mid-point of the range described on the cover of the public offering preliminary prospectus), EMJ would incur an additional non-cash charge of \$20,652,379 (\$15.00 minus \$6.61 multiplied by 2,461,547). EMJ will be required to adjust the expense associated with the contribution obligation at the end of each accounting period, which will fluctuate based on the fair market value of the common shares to be contributed until such time as the shares can be contributed to the Holding's stock bonus plan.

For the purpose of additional analysis, the unaudited pro forma condensed combined consolidated financial statements present the condensed consolidated balance sheets and statements of operations of EMJ and Holding prior to the consolidation along with details of intercompany eliminations, which result in the consolidated condensed balance sheet as of December 31, 2004 and the consolidated condensed statement of operations for the fiscal year ended March 31, 2004 and the nine months ended December 31, 2004.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED BALANCE SHEET****Earle M. Jorgensen Company and Earle M. Jorgensen Holding Company, Inc.**

As of December 31, 2004

				Consolidated	Pro Forma	
	EMJ (a)	Holding (b)	Eliminations (c)	EMJ Holding (d)	Adjustments	Pro Forma
(dollars in thousands)						
Assets						
Current assets:						
Cash	\$ 5,760	\$ 373	\$	\$ 6,133	\$	\$ 6,133
Accounts receivable, less allowance for doubtful accounts	173,871			173,871		173,871
Inventories	281,307			281,307		281,307
Other current assets	8,976			8,976		8,976
Total current assets	469,914	373		470,287		470,287
Net property, plant and equipment, at cost	117,896			117,896		117,896
Intercompany		(122,132)	122,132			
Investment in subsidiaries		17,142	(17,142)			
Cash surrender value of life insurance policies	31,820			31,820		31,820
Debt issue costs, net of accumulated amortization	5,920			5,920		5,920
Other assets	2,501	683		3,184		3,184
Total assets	\$ 628,051	\$ (103,934)	\$ 104,990	\$ 629,107	\$	\$ 629,107
Liabilities and Stockholders' Equity						
Current liabilities:						
Accounts payable	\$ 158,060	\$	\$	\$ 158,060	\$	\$ 158,060
Accrued liabilities	65,870	3,439	390	69,699	(11,188)(e) 8,500 (f) (646)(f)	66,365
Deferred income taxes	17,517			17,517		17,517
Current portion of long-term debt	2,320			2,320		2,320
Total current liabilities	243,767	3,439	390	247,596	(3,334)	244,262
Long-term Debt	344,428	245,882		590,310	(245,882)(e)	344,428
Deferred income taxes	17,869			17,869		17,869
Other long-term liabilities	13,382	964		14,346		14,346
Stockholders' equity:						
Preferred and common stock subject to redemption			75,494	75,494	(75,494)(e)	
Series A preferred stock not subject to redemption		24,755	(3,538)	21,217	(21,217)(e)	
Series B preferred stock not subject to redemption		31,018	(28,702)	2,316	(2,316)(e)	
Common stock		133	(26)	107	(107)(e)	
Capital in excess of par value	21,194	99,130	(41,883)	78,441	274,084 (e)	352,525

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Reclassification to value			(16,641)	(16,641)	16,641 (e)	
Preferred stock, \$.01 par value; 200 shares authorized and no shares issued, actual and adjusted						
Common stock, \$.01 par value; 2,800 shares authorized and 128 shares issued and outstanding, actual; 80,000,000 shares authorized and 37,848,598 shares issued and outstanding, as adjusted					38	38
Foreign currency translation adjustment	1,268			1,268		1,268
Additional minimum pension liability	(2,625)			(2,625)		(2,625)
Accumulated deficit	(11,232)	(443,814)	119,896	(335,150)	(7,854)(f)	(343,004)
Treasury stock		(65,441)		(65,441)	65,441 (e)	
	<u>8,605</u>	<u>(354,219)</u>	<u>104,600</u>	<u>(241,014)</u>	<u>249,216</u>	<u>8,202</u>
Total stockholder s equity (deficit)						
Total liabilities and stockholder s equity	\$ 628,051	\$ (103,934)	\$ 104,990	\$ 629,107	\$	\$ 629,107

See accompanying notes.

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Notes to Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet

- (a) EMJ's unaudited consolidated condensed balance sheet as of December 31, 2004, as reported elsewhere in this proxy statement/prospectus, which in the opinion of management reflects all adjustments, consisting of normal recurring adjustments, which are necessary for a fair presentation of our fiscal position.
- (b) Unaudited balance sheet accounts of Holding as of December 31, 2004, prior to consolidation with EMJ.
- (c) Intercompany eliminating adjustments with respect to the consolidation of Holding and EMJ as of December 31, 2004.
- (d) Holding's unaudited consolidated condensed balance sheet as of December 31, 2004, as reported elsewhere in this proxy statement/prospectus, which in the opinion of management reflects all adjustments, consisting of normal recurring adjustments, which are necessary for a fair presentation of our results of operations.
- (e) The adjustments to effect the merger and financial restructuring (based on shares and values at December 31, 2004), assuming that the public offering price will be \$15.00 per share of EMJ common stock, the mid-point of the range described on the cover of the public offering preliminary prospectus, and net proceeds of the public offering are \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds" in the public offering preliminary prospectus), include the following:

Exchange of all issued and outstanding Holding debt and accrued interest thereon totaling \$257,069,318 for \$214,864,512 in cash and 2,813,654 shares of EMJ common stock.

Exchange of warrants to purchase 2,937,915 shares of Holding common stock for 2,935,956 shares of EMJ common stock, net of the exercise price of \$0.01 per share.

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

Conversion of 59,893 shares of Holding's series A preferred stock (not including 187,654 shares held in treasury and retired) into \$682.60 in cash and 8.94 shares of EMJ common stock. The difference between the number of shares of Holding's series A preferred stock at December 31, 2004 and the number of shares at the date of the merger and financial restructuring is attributable to the shares repurchased from former employees who cashed out their stock bonus plan accounts.

Conversion of 28,718 shares of Holding's series B preferred stock (not including 2,300 held in treasury and retired) into \$835.82 in cash and 10.95 shares of EMJ common stock. The difference between the number of shares of Holding's series B preferred stock at December 31, 2004 and the number of shares at the date of the merger and financial restructuring is attributable to the shares repurchased from former employees who cashed out their stock bonus plan accounts.

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

Upon completion of the merger and financial restructuring and the public offering, subject to the assumptions herein, 37,848,598 shares of EMJ common stock will be issued and outstanding.

- (f) Contingent upon consummation of the merger and financial restructuring and the public offering, EMJ has committed to pay a taxable bonus to its employees on the closing date who are also participants in the stock bonus plan in the aggregate amount of \$8,500,000, net of income taxes at the estimated fiscal 2005 effective annual tax rate.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS****Earle M. Jorgensen Company and Earle M. Jorgensen Holding Company, Inc.**

Fiscal Year Ended March 31, 2004

	EMJ (a)	Holding (b)	Consolidated EMJ Holding (c)	Pro Forma Adjustments	Pro Forma
(dollars in thousands)					
Revenues	\$ 1,040,367	\$	\$ 1,040,367	\$	\$ 1,040,367
Cost of sales	754,266		754,266		754,266
Gross profit	286,101		286,101		286,101
Expenses					
Warehouse and delivery	135,421		135,421		135,421
Selling	38,254		38,254		38,254
General and administrative	42,954	(20)	42,934		42,934
Total expenses	216,629	(20)	216,609		216,609
Income from operations	69,472	20	69,492		69,492
Interest expense, net	51,093	38,834	89,927	(38,834)(d)	51,093
Income before income taxes	18,379	(38,814)	(20,435)	38,834	18,399
Income tax expense	3,127		3,127		3,127(e)
Net income (loss)	\$ 15,252	\$ (38,814)	\$ (23,562)	\$ 38,834	\$ 15,272

See accompanying notes.

Notes to Unaudited Pro Forma Condensed Combined Consolidated Statement of Operations

- (a) EMJ's consolidated condensed statement of operations for the fiscal year ended March 31, 2004 as reported elsewhere in this proxy statement/prospectus.
- (b) Statement of operations accounts of Holding for the fiscal year ended March 31, 2004 prior to consolidation with EMJ.
- (c) Holding's unaudited consolidated condensed statement of operations for the fiscal year ended March 31, 2004 as reported elsewhere in this proxy statement/prospectus.
- (d) Reduction of interest expense resulting from the exchange of the Holding notes for cash and shares of newly issued EMJ common stock.
- (e) Adjustment has not been made to income tax expense as EMJ has a net operating loss carryforwards in the United States and a corresponding valuation allowance on its deferred income tax assets for the fiscal year ended March 31, 2004.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS****Earle M. Jorgensen Company and Earle M. Jorgensen Holding Company, Inc.**

Nine Months Ended December 31, 2004

	EMJ (a)	Holding (b)	Consolidated		Pro Forma
			EMJ Holding (c)	Pro Forma Adjustments	
					Pro Forma
	(dollars in thousands)				
Revenues	\$ 1,152,589	\$	\$ 1,152,589	\$	\$ 1,152,589
Cost of sales	828,735		828,735		828,735
Gross profit	323,854		323,854		323,854
Expenses					
Warehouse and delivery	116,052		116,052		116,052
Selling	34,972		34,972		34,972
General and administrative	69,067		69,067		69,067
Total expenses	220,091		220,091		220,091
Income from operations	103,763		103,763		103,763
Interest expense, net	40,534	21,442	61,976	(21,442)(d)	40,534
Income before income taxes	63,229	(21,442)	41,787	21,442	63,229
Income tax expense	10,297	(6,584)	3,713	6,584 (e)	10,297
Net income (loss)	\$ 52,932	\$ (14,858)	\$ 38,074	\$ 14,858	\$ 52,932

See accompanying notes.

Notes to Unaudited Pro Forma Condensed Combined Consolidated Statement of Operations

- (a) EMJ's unaudited consolidated condensed statement of operations for the nine months ended December 31, 2004 as reported elsewhere in this proxy statement/prospectus, which in the opinion of management reflects all adjustments, consisting of normal recurring adjustments, which are necessary for a fair presentation of our results of operations.
- (b) Unaudited statement of operations accounts of Holding for the nine months ended December 31, 2004 prior to consolidation with EMJ.
- (c) Holding's unaudited consolidated condensed statement of operations for the nine months ended December 31, 2004 as reported elsewhere in this proxy statement/prospectus, which in the opinion of management reflects all adjustments, consisting of normal recurring adjustments, which are necessary for a fair presentation of our results of operations.
- (d) Reduction of interest expense resulting from the exchange of the Holding notes for cash and shares of newly issued EMJ common stock.
- (e) Income tax expense has been adjusted based on estimated effective income tax rates for fiscal year 2005.

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RISK FACTORS

You should carefully consider the risks described below before deciding how to vote on the proposed merger and financial restructuring. By voting in favor of the merger and financial restructuring, you will be choosing to invest in the common stock of EMJ. If any of the following risk factors occurs, then our business, financial condition or results of operations could be materially and adversely affected. In that event, the value of our common stock could decline significantly, and you might lose all or part of your investment.

Risks relating to the merger and financial restructuring

The amount of cash and number of shares of EMJ common stock the holders of series A preferred stock, series B preferred stock and Holding notes will receive as consideration in connection with the merger and financial restructuring is uncertain and will depend on the pricing of a share of EMJ common stock in the public offering and the amount of net proceeds received by EMJ as a result of the public offering.

Upon consummation of the merger and financial restructuring, the holders of series A preferred stock, series B preferred stock and Holding notes will receive a combination of cash and shares of EMJ common stock in exchange for their securities. The amount of cash and number of shares of EMJ common stock to be received by the holders of those securities is uncertain and ultimately will be determined when the public offering price of the EMJ common stock and the net proceeds of the public offering are determined at the time of the public offering. For purposes of disclosure in this proxy statement/prospectus, we have made certain assumptions concerning the public offering price of the EMJ common stock and the net proceeds of the public offering.

Our board of directors approved the merger agreement and the merger subject to the nonwaivable condition that the public offering price of the EMJ common stock is not less than \$7.00 per share and the public offering results in not less than \$100,000,000 of net proceeds to EMJ, and you should consider the proposed merger and financial restructuring based on the possibility that this worst case scenario could actually occur (in which case you will receive \$246.01 in cash and 81.52 shares of EMJ common stock for each share of Holding series A preferred stock you own and \$301.23 in cash and 99.82 shares of EMJ common stock for each share of Holding series B preferred stock you own). See Q: WHAT WILL THE MERGER CONSIDERATION BE IF THE PUBLIC OFFERING PRICE IS \$7.00 PER SHARE AND THE PUBLIC OFFERING RESULTS IN \$100,000,000 OF NET PROCEEDS TO EMJ? beginning at page QA-5.

The public offering preliminary prospectus, however, reflects a public offering price of EMJ's common stock of \$15.00 per share (the mid-point of the range described on the cover of the public offering preliminary prospectus). If the public offering price is greater than the assumed price of \$15.00, the holders of the series A preferred stock, the series B preferred stock and the Holding notes will receive fewer shares of EMJ common stock for their Holding securities than estimated on page QA-7 of this proxy statement/prospectus. Similarly, if the public offering price is less than the assumed price of \$15.00, the holders of the series A preferred stock, the series B preferred stock and the Holding notes will receive more shares of EMJ common stock for their Holding securities than estimated on page QA-6 of this proxy statement/prospectus. See Q: WHAT WILL I RECEIVE IN THE MERGER? at page QA-3 and Q: HOW WILL THE PUBLIC OFFERING PRICE OF THE EMJ COMMON STOCK AFFECT THE MERGER CONSIDERATION? at page QA-6.

With respect to the net proceeds of the public offering, we have assumed that the net proceeds will be \$279,750,000. Assuming the public offering price is \$15.00, if the net proceeds are greater than \$279,750,000, we will pay more cash and issue fewer shares to the holders of the series A preferred stock, the series B preferred stock and the Holding notes than was estimated on page QA-7 of this proxy statement/prospectus. Conversely, assuming the offering price is \$15.00, if the net proceeds are less than \$279,750,000, we will pay less cash and issue more shares to

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the holders of the series A preferred stock, the series B preferred stock and the Holding notes than was estimated on page QA-7 of this proxy statement/prospectus. See Q: HOW WILL THE AMOUNT OF NET PROCEEDS OF THE PUBLIC OFFERING AFFECT THE MERGER CONSIDERATION? at page QA-8.

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The value of the shares of EMJ common stock to be received by the holders of Holding common stock will depend on the public offering price.

The merger and financial restructuring provides that each share of Holding common stock will convert into Holding common stock on a one-for-one basis. The value of the EMJ common stock to be received by the holders of Holding common stock will depend on the actual public offering price, which may be above or below the public offering price we have assumed for the purposes of the disclosure in this proxy statement/prospectus or the appraised value of the Holding common stock as of March 31, 2004 (using the new methodology required by the amended consent order).

Holders of series A preferred stock and series B preferred stock will lose their right to receive dividends and their liquidation preferences.

In the merger and financial restructuring, each share of series A preferred stock will convert into a combination of cash and shares of EMJ's common stock having an aggregate value equal to \$816.68, the appraised value of \$749.42 per share as of March 31, 2004, plus accrued dividends at the rate of 18% per annum through September 29, 2004, and each share of series B preferred stock will convert into a combination of cash and shares of EMJ's common stock having an aggregate value equal to \$1,000 the liquidation value of each share of series B preferred stock (all accumulated dividends have been paid in-kind through September 29, 2004). As a result, current holders of series A preferred stock and series B preferred stock will no longer be entitled to a fixed dividend or liquidation amount (including upon a deemed liquidation upon a sale or conveyance of, or transfer or sale of substantially all of the assets of, EMJ) or other priority over any other class of securityholders. Instead, current holders of series A preferred stock and series B preferred stock will hold the most junior securities issued by EMJ, with no right to receive a fixed amount of dividends or a distribution upon liquidation at any specific times. Former holders of series A preferred stock and series B preferred stock will lose their right to dividends accruing from and after September 29, 2004, but they will participate as holders of common stock in changes in the equity value of EMJ.

The voting power of the existing holders of capital stock of Holding will be diluted significantly. The right of employee stockholders to designate directors will cease upon termination of the Holding stockholders agreement, and the right of the holders of series A preferred stock to designate a director or block certain transactions will cease.

The number of shares of our common stock outstanding following the merger and financial restructuring and the public offering will be significantly greater than the number of shares of common stock of Holding currently outstanding. As a result of the merger and financial restructuring and the public offering, the percentage ownership of the common stock of EMJ held by holders of common stock of Holding will decrease, thereby diluting the voting rights of these holders. After the merger and financial restructuring, the shares of our common stock held by current stockholders of Holding, assuming the public offering price and net proceeds of the public offering as described above, 20,000,000 shares are issued in the public offering (as set forth on the cover of the public offering preliminary prospectus) and no exercise of the outstanding options and excluding the special contribution of up to 2,461,547 shares of EMJ common stock to the stock bonus plan, will represent only 46.8% of EMJ's voting power, or approximately 39.2% if the underwriters exercise their over-allotment option in full in the public offering, compared with 100% of the voting power held by holders of common stock of Holding at present. The exercise of all outstanding stock options and the special contribution of up to 2,461,547 shares of EMJ common stock to the stock bonus plan will further dilute the voting power held by holders of common stock.

In addition, upon completion of the merger and financial restructuring, the Holding stockholders agreement will be terminated and the employee stockholders will cease to have the right to designate two directors of Holding and EMJ that was provided under that agreement. In addition, the holders of series A preferred stock will no longer have the right to designate a director of EMJ and will no longer have the right to block certain transactions, including a sale of EMJ to a third party.

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Alternatives to the proposed merger and financial restructuring and the public offering may not be available to us and any available alternatives may achieve less favorable results.

We believe that the completion of the merger and financial restructuring and public offering is in the best interest of our stockholders. If our financial restructuring is not completed through the merger and public offering, our board of directors may determine that it is necessary to pursue other strategic and capital markets alternatives. An alternative financial restructuring arrangement or plan, a refinancing of the Holding notes, or a sale of Holding or EMJ may not be available, or if available, may not be on terms as favorable to our equity holders, other than Kelso and its affiliates, as the terms of the merger and financial restructuring proposed in this proxy statement/prospectus.

Risks related to receiving our common stock as part of the merger and exchange consideration

You will incur dilution in the future as a result of the exercise of stock options and the contribution of shares of common stock to Holding's stock bonus plan.

You will incur dilution if the holders of options to purchase shares of our common stock at prices below our net tangible book value per share exercise their options after the merger and financial restructuring and the public offering. Upon consummation of the merger and financial restructuring and the public offering, there will be 3,053,668 shares of common stock that will be issuable upon the exercise of outstanding stock options that were converted from the former Holding stock options, with a weighted average exercise price of \$3.35 per share, and 50,000 shares of common stock that will be issuable upon the exercise of options that will be granted to certain non-officer directors on the date of the pricing of the public offering at an exercise price equal to the initial public offering price. In the future, EMJ expects to grant additional options under its new stock incentive plan to certain employees, executive officers and directors. The contribution, after consummation of the merger and financial restructuring and the public offering, of up to 2,461,547 shares of common stock to Holding's stock bonus plan pursuant to the proposed amendment to Holding's stock bonus plan may cause you to incur further dilution. In addition, our certificate of incorporation will permit the issuance of up to 80,000,000 shares of common stock. Thus, in addition to the shares reserved for issuance pursuant to outstanding stock options, our stock incentive plan and our stock bonus plan, we have the ability to issue substantial amounts of common stock in the future, which would dilute the percentage ownership held by the investors who receive our shares in the merger and financial restructuring.

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

Sales of a substantial number of shares of our common stock in the public market following the merger and financial restructuring and the public offering, or the perception that large sales could occur, could cause the market price of our common stock to decline or limit our future ability to raise capital through an offering of equity securities. Shares of our common stock outstanding upon consummation of the merger and financial restructuring and the public offering will be freely tradable without restriction or further registration under the federal securities laws, unless held by affiliates of EMJ or Holding within the meaning of Rule 144 under the Securities Act or subject to lock-up agreements, limitations on the ability of participants to transfer shares of common stock held in Holding's stock bonus plan or transfer restriction agreements. See Material Provisions of the Merger Agreement and Exchange Agreement Federal Securities Law Consequences at page 91, Comparison of Securities and Stockholder Rights at page 98, Transfer Restrictions Stock Bonus Plan Restrictions at page 92 and Transfer Restrictions Transfer Restriction Agreements at page 92. Shares of EMJ common stock exchanged for shares of Holding capital stock that were held by affiliates of Holding at the time of the merger and financial restructuring or that are held by affiliates of EMJ will be restricted securities and will be subject to the volume and manner of sale restrictions of Rules 144 and/or 145.

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

Following the effectiveness of the registration statement on Form S-1 under the Securities Act in connection with the public offering, we intend to file a registration statement on Form S-8 under the Securities Act covering (1) 3,053,668 shares of common stock that will be issuable upon exercise of options under the Holding stock option plan upon our assumption of those options in connection with the consummation of the merger and financial restructuring and (2) shares of common stock that will be issuable pursuant to our new stock incentive plan. Accordingly, subject to applicable vesting requirements and exercise with respect to options, the provisions of Rules 144 and 145 with respect to affiliates and, if applicable, expiration of the 180-day lock-up agreements and the transfer restriction agreements, shares registered under the registration statement on Form S-8 will be available for sale in the open market. In addition, we have granted the Kelso funds and Mr. Nelson registration rights with respect to their shares of our common stock, including the shares of our common stock they will own upon consummation of the merger and financial restructuring and the public offering.

Shares of EMJ common stock held by the stock bonus plan can be transferred only if the participant meets certain requirements specified in the stock bonus plan.

Shares of EMJ common stock held by the stock bonus plan can be transferred only if the participant meets certain requirements specified in the stock bonus plan. The shares of EMJ common stock held by the stock bonus plan may be sold (1) by the trustee of the stock bonus plan upon direction from an eligible participant who has attained age 55 and completed ten years of service in accordance with the diversification provisions of the stock bonus plan, (2) by the participant following distribution to such participant upon termination of employment, and (3) by the trustee of the stock bonus plan upon direction from the benefits committee, if the benefits committee determines that the sale of the EMJ common stock is required for the benefits committee to exercise its fiduciary duties. Effective at closing of the public offering, EMJ has amended the stock bonus plan to provide that shares of EMJ common stock will become eligible for diversification in increments of 25% of the balance of shares of EMJ common stock in each participant's account each six months after the consummation of the public offering commencing six months after consummation of the public offering, with all shares of EMJ common stock in a participant's account being eligible for diversification 24 months after consummation of the public offering.

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

After the completion of the merger and financial restructuring and the public offering, assuming the public offering price of EMJ common stock is \$15.00, the mid-point of the range described on the cover of the public offering preliminary prospectus, 20,000,000 shares of common stock are issued in the public offering (as set forth on the cover of the public offering preliminary prospectus) and net proceeds of \$279,750,000 from the public offering (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds" in the public offering preliminary prospectus), the Kelso funds and other Kelso affiliates will

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control approximately 37.5% of our outstanding common stock, or approximately 31.1% if the underwriters exercise their over-allotment option in full in the public offering. As a result, after the merger and financial restructuring and public offering, the Kelso funds and other Kelso affiliates will continue to have the power to significantly influence all matters submitted to our stockholders, including the election of our directors and amendments to our certificate of incorporation. The Kelso funds and other Kelso affiliates also will have the ability to significantly influence the approval or disapproval of any transaction that requires the approval of stockholders regardless of whether or not other stockholders believe that any such transaction is in their own best interests. So long as the Kelso funds and other Kelso affiliates continue to own a significant amount of the outstanding shares of our common stock, they will continue to be able to strongly influence our decisions.

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

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

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

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

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

press releases or publicity relating to us or our competitors or relating to trends in the metals service industry;

changes in the legal or regulatory environment affecting our business;

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

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

developments affecting us, our customers or our suppliers;

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

general domestic or international economic, market and political conditions.

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

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

We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business and do not anticipate paying cash dividends on our common stock in the foreseeable future. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our board of directors. In addition, our domestic credit facility prohibits us from paying, and the indenture for our 9³/₄% senior secured notes limits our ability to pay, dividends after the merger and financial restructuring. We are restricted from paying cash dividends and making other distributions to our stockholders under the indenture unless 50% of our consolidated net income, as adjusted, exceeds prior distributions to stockholders, subject to certain other limitations. As a result of these limitations and our expectation that we will not pay dividends in the near future, our common stock may be less attractive to investors that seek dividend payments.

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

Our certificate of incorporation and our bylaws could delay, defer or prevent a third party from acquiring us, despite the possible benefit to our stockholders, or otherwise adversely affect the price of our common stock and your rights as a holder of our common stock. For example, our certificate of incorporation and bylaws will (1) permit our board of directors to issue one or more series of preferred stock with rights and preferences designated by our board and (2) impose advance notice requirements for stockholder proposals and nominations of directors to be considered at stockholder meetings. These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors other than the candidates nominated by our board. See Description of our Capital Stock, Certificate of Incorporation and Bylaws for additional information on the anti-takeover measures applicable to us. In addition, our domestic credit facility and the indenture for our 9³/₄% senior secured notes contain limitations on our ability to enter into change of control transactions.

Risks relating to our business

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

We purchase large quantities of carbon, alloy and stainless steel, aluminum and other metals, which we sell to a variety of end-users. The prices we pay for these metals and the prices we charge for our products may change depending on many factors outside of our control, including general economic conditions (both domestic and international), competition, production levels, import duties and other trade restrictions, currency fluctuations and surcharges imposed by our suppliers. For example, in the past year our suppliers have added various surcharges to the

price of metals related to increases in the costs of scrap, energy, raw material and other inputs. These surcharges may or may not continue in the future and could be increased, decreased or eliminated by the suppliers that have imposed them.

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Our service centers maintain substantial inventories of metal to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase metal in quantities we believe to be appropriate to satisfy the anticipated needs of our customers based on information derived from customers, market conditions, historic usage and industry research. Our commitments for metal purchases are generally at prevailing market prices in effect at the time we place our orders or at the time of shipment. During periods of rising prices for metal, we may be negatively impacted by delays between the time of metal price increases and price increases in our products if we are unable to pass these increases on to our customers. In addition, when metal prices decline, customer demands for lower prices could result in lower sale prices for our products and, as we use existing inventory that we purchased at higher metal prices, lower margins. Consequently, during periods in which we use this existing inventory, the effects of changing metal prices could adversely affect our operating results.

The average price of metals that we purchase has increased for the past 15 months at the rate of approximately 2.3% per month. While we have seen no evidence that enables us to predict when these price increases will slow or stop, we do not expect the trend of increasing prices to continue throughout the current calendar year. We anticipate that metal prices for the products we purchase will moderate and level off during 2005, which could have an adverse effect on our results of operations.

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

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

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

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

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

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currencies resulted in increased prices for metals and metal products in the United States as imported metals became relatively more expensive. If, in the future, the dollar increases in value relative to foreign currencies, the domestic market may be more attractive to foreign producers, resulting in increased supply that could cause decreased metal prices and adversely affect our revenues, gross profit and net income.

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

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

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

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

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

Because we have no long-term contracts to purchase metals, our primary suppliers of carbon, alloy and stainless steel, aluminum or other metals could curtail or discontinue their delivery of these metals to us in the quantities we need. Our ability to meet our customers' needs and provide value-added inventory management services depends on our ability to maintain an uninterrupted supply of metal products from our suppliers. If our suppliers experience production problems, lack of capacity or transportation disruptions, the lead times for receiving our supply of metal products could be extended and the cost of our inventory may increase. If, in the future, we are unable to obtain sufficient amounts of the necessary raw materials at competitive prices and on a timely basis from our traditional suppliers, we may not be able to obtain these metals from acceptable alternative sources at competitive prices to meet our delivery schedules. Even if we do find acceptable alternative suppliers, the process of locating and securing these alternatives may be disruptive to our business, which could have an adverse impact on our ability to meet our customers' needs and reduce our sales, gross profit and net income. In addition, if a significant domestic supply source is discontinued and we cannot find acceptable domestic alternatives, we may need to find a foreign source of supply. Dependence on foreign sources of supply could lead to longer lead times, increased price volatility, less favorable payment terms and certain tariffs and duties.

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

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

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

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

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

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

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

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

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

damage to, or inoperability of, its automated warehouse system;

a hardware or software error, failure or crash;

a power or telecommunications failure; or

fire, flood or other natural disaster.

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

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

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

Labor disruptions could adversely affect our operations.

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

Our ability to consummate a change of control transaction could be hampered by the consequences it triggers under our debt instruments, including the required repurchase of our 9³/₄% senior secured notes and the possible acceleration of repayment of our domestic credit facility.

If in the future we experience a change of control as defined under the indenture for our 7³/₈% senior secured notes, we are required to make a change of control offer, to purchase all of our 7³/₈% senior secured notes issued and then outstanding at a purchase price equal to 101% of the principal amount thereof plus accrued interest thereon, as of the date of purchase. Any change of control under the indenture also would constitute a default under our domestic credit facility pursuant to which the lenders under our credit facility could accelerate and require immediate payment of all of the then outstanding obligations under our credit facility.

If in the future we experience a change of control, it is likely that we would be unable to repay all of our obligations under our domestic credit facility, our 9³/₄% senior secured notes and any other indebtedness that might become payable upon the occurrence of the change of control. Accordingly, it is likely that a prospective acquirer of all or substantially all of our assets or of more than 50% of our common stock would, in order to avoid the occurrence of a default under our indebtedness, either fund our purchase of the notes tendered in the change of control offer or seek to refinance our notes, and credit facility and other indebtedness. Such funding or refinancing may have the effect of delaying, deferring or preventing such an acquisition.

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

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

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

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

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

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

We also entered into (1) a funding and participation agreement with the current owners of the Forge facility that requires us to fund 85% of the costs incurred in connection with the investigation activities to be performed under the AOC and (2) an agreement with the current owners of the Houston facility to indemnify the owners for pre-existing environmental issues at the Houston facility based on Texas Commission for Environmental Quality

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industrial/ commercial standards. We do not carry environmental insurance coverage. Proceedings and investigations with respect to environmental matters and any employee safety and health issues could result in substantial costs to us, divert our management's attention and result in significant liabilities, fines or the suspension or interruption of our service center activities. Some of our current properties are located in industrial areas with histories of heavy industrial use. The location of these properties may require us to incur expenditures and to establish environmental liabilities for costs that arise from causes other than our operations. Future events, such as changes in existing laws and regulations or their enforcement, new laws and regulations or the discovery of conditions not currently known to us, could create material compliance or remedial liabilities and costs which may constrain our operations or make such operations more costly.

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

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

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

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

Risks relating to our indebtedness

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

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

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

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a significant portion of our cash flow from operations must be dedicated to the payment of interest and principal on our debt (including the maturity of our credit facility in 2006), which reduces the funds available to us for our operations or other purposes;

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

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

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

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

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

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

Our annual debt service obligations until March 3, 2010, when our domestic credit facility is expected to mature, will be primarily limited to interest payments on our 9³/₄% senior secured notes, our domestic credit facility, our industrial revenue bonds and principal payments on our industrial revenue bonds. The principal payments on our outstanding industrial revenue bonds are approximately \$1.2 million in fiscal 2006, \$0.7 million in fiscal 2007 and \$2.2 million in the aggregate thereafter through fiscal 2010. Our ability to generate sufficient cash flow from operations to make scheduled payments on our debt obligations will depend on our future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control. For example, we may not generate sufficient cash flow from operations to repay our domestic credit facility when it matures in fiscal 2010 or our 9³/₄% senior secured notes when they mature in fiscal 2013. If we do not generate sufficient cash flow from operations to satisfy our debt obligations, we expect to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We may not be able to consummate any such transaction at all or on a timely basis or on terms, and for proceeds, that are acceptable to us. Furthermore, these transactions may not be permitted under the terms of our various debt instruments then in effect. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to timely refinance our obligations on acceptable terms, could adversely affect our ability to serve our customers and could cause us to discontinue our operations as planned. Our domestic credit facility is secured by a first priority lien on all of our domestic inventory and accounts receivable. Our ability to refinance our 9³/₄% senior secured notes or seek additional financing could be impaired as a result of this security.

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OTHER FACTORS TO CONSIDER

If the merger and financial restructuring is not approved by Holding's stockholders or otherwise is not consummated, the compounding interest of the Holding notes and the compounding dividends on the series A preferred stock and the series B preferred stock will continue to grow, which, in turn, may have a negative effect on the value of Holding's equity securities, particularly the Holding common stock.

Presently, the Holding notes accumulate interest at 18% per annum, compounded annually, and the aggregate principal amount of this indebtedness as of September 29, 2004 was approximately \$257,100,000. The series A preferred stock accumulates dividends at the rate of 18% per annum and provides that dividends are not declared unless Holding is able to pay such dividends in cash. To date, no dividends have been declared and the aggregate value of the series A preferred stock issued and outstanding as of the record date was approximately \$47,000,000, including accumulated dividends through September 29, 2004. The series B preferred stock accumulates dividends at rates between 15 1/2% per annum and 19 1/2% per annum, paid quarterly. Dividends have been paid through the issuance of additional shares of series B preferred stock. The aggregate value of the series B preferred stock issued and outstanding as of the record date was approximately \$27,900,000, including accumulated dividends through September 29, 2004. Unless measures are taken to reduce or eliminate the accretion of interest and dividends on the Holding notes, the series A preferred stock and series B preferred stock, through either a restructuring transaction similar to that contemplated by the merger and financial restructuring, a refinancing or a strategic transaction, notwithstanding EMJ's strong financial performance in fiscal year 2004 and so far in fiscal year 2005, the net income of EMJ may not be sufficient to overcome the adverse impact of the accumulating interest and dividends on the value of Holding's equity securities.

In addition, if the merger and financial restructuring and the public offering are not consummated and other acceptable financial restructuring or strategic transaction alternatives are not available: (1) the equity incentives of EMJ's management would be rendered ineffective due to the diminution in value of Holding's equity securities, (2) EMJ's ability to attract and retain employees might be reduced due, in particular, to a deterioration in the value of their retirement savings as a consequence of the diminution in value of Holding's equity securities and (3) there would be misalignment of employee incentives because of differences in the allocation of common stock, series A preferred stock and series B preferred stock among EMJ's employees based on historical factors without regard to responsibility or performance (see The Merger and Financial Restructuring Recommendation of the Special Committee at page 52).

THE AMENDED CONSENT ORDER

In March 2002, the DOL filed suit against EMJ, Holding, the stock bonus plan and former members of our benefits committee alleging that the valuations of Holding's common stock used to make contributions to the stock bonus plan for plan years 1994 to 2000 contained significant errors resulting in the common stock contributed to the stock bonus plan in those years being overvalued.

On January 27, 2003, a settlement agreement, or consent order, was reached among the parties that included the following provisions: (1) Holding was prohibited from making further common stock contributions to the stock bonus plan until its common stock became publicly traded; (2) Holding was required to continue to obtain annual appraisals using methodologies consistent with prior appraisals and to use such appraised values as the purchase price for repurchases of common stock as was done in the past; and (3) if the annual appraised value of Holding common stock was less than \$4.25 per share, Holding was required to repurchase shares of Holding common stock from departing employees at a price of \$4.25, known as the floor price guaranty, with respect to those shares that were originally contributed to the stock bonus plan for the plan years 1994-2000.

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In late February 2004, after EMJ initially filed the registration statement, of which this proxy statement/prospectus is a part, with the Commission on January 13, 2004, the DOL requested meetings with Wells Fargo

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Bank, N.A., the trustee of the stock bonus plan, and the benefits committee to review their procedures in connection with their respective evaluations of the initially proposed terms of the merger and financial restructuring and other strategic alternatives, as well as compliance of the initially proposed transaction with the provisions of the consent order. However, the DOL review of the transaction resulted in delays that, combined with other transactional requirements, precluded the consummation of the merger and financial restructuring on the terms originally proposed, and in May 2004, the legal counsel of the benefits committee advised the DOL and the stock bonus plan trustee that the special committee and the benefits committee had reached that conclusion.

In its review, the DOL urged the benefits committee to consider changes to the merger and financial restructuring that would eliminate on a going-forward basis the valuation methodology that was agreed upon in the DOL consent order. In response, the special committee, the benefits committee and their respective advisors held various discussions over the next several months to develop an alternative transaction similar to the initially proposed merger and financial restructuring that would also eliminate on a going-forward basis the valuation methodology that was agreed to in the DOL consent order, and reviewed the alternative transaction with Kelso to determine that it would be acceptable to it. Representatives of the special committee and the benefits committee then presented the alternative transaction proposal to the DOL. On August 18, 2004, the benefits committee proposed to the DOL an amendment to the consent order that would eliminate on a going-forward basis the valuation methodology that was agreed to in the consent order. Representatives of Holding and EMJ indicated that they intended to pursue a merger and financial restructuring and public offering as described in this proxy statement/prospectus, but that consummation of such a transaction would not be a condition to amending the consent order. See *The Merger and Financial Restructuring The Background of the Merger and Financial Restructuring*.

Holding and the benefits committee agreed with the DOL to amend the consent order that settled the DOL litigation, and an amended consent order was entered by the court on January 3, 2005. The amendment provides that:

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

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

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

upon completion of the merger and financial restructuring and the public offering, the shares of common stock held by the stock bonus plan will no longer be valued by appraisal and the participants will cease to have the right to put shares of Holding common stock to Holding or EMJ.

In order to offset the change of the appraisal methodology as a result of the amended consent order, Holding has decided to implement a program to make a special contribution of additional shares of Holding common stock or common stock equivalents to (1) the stock bonus plan, (2) a supplemental stock bonus plan and (3) a cash bonus plan. Holding has committed to make a special contribution of 1.0817 shares of Holding common stock or its equivalent with respect to each share of Holding common stock held by the stock bonus plan. This amount is equal to (a) the difference between the appraised value as of March 31, 2004 using the old methodology and the appraised value as of March 31, 2004 using the new methodology, divided by (b) the

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appraised value as of March 31, 2004 using the new methodology, adjusted for the dilutive effect of such contribution. After giving effect to the special contribution, the stock bonus plan participants holding Holding common stock will continue to have shares of Holding common stock with the same aggregate value, notwithstanding the change in valuation methodology, which otherwise would have had the effect of reducing the aggregate value of their equity interests. As of January 12, 2005, there were 2,454,119 shares of Holding common stock in the stock bonus plan eligible for the special contribution. The special contribution will consist of 2,461,547 shares of Holding common stock or its equivalent and cash bonuses paid through the new cash bonus plan of \$1,056,465 in the aggregate to participants who are no longer employed by EMJ. We charged approximately \$17.3 million in the aggregate to expenses for the third quarter of fiscal 2005 with respect to our commitment in December 2004 to make the special contribution.

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

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

Table of Contents**THE MERGER AND FINANCIAL RESTRUCTURING****The Background of the Merger and Financial Restructuring**

Holding and EMJ were formed in a transaction completed in May 1990. A total of approximately \$475 million was required to consummate the transaction, of which approximately \$125 million was financed by equity investments in Holding and the balance was financed with indebtedness incurred by EMJ. During the period since 1990, Holding has become progressively more leveraged. Upon completion of the transaction in May 1990, Holding's capitalization was as follows:

<u>Security</u>	<u>No. of Shares</u>	<u>Aggregate Value of Stock</u>
Common stock, \$0.01 par value at a purchase price of \$10.00 per share	9,815,000	\$ 98,150,000
Series A preferred stock, \$0.01 par value at a purchase price of \$100.00 per share	247,570	\$ 24,757,000

In addition, EMJ issued \$75.0 million in aggregate principal amount of its variable rate subordinated notes to KIA IV. The notes had an interest rate of 14% per annum, payable in cash every six months. In September 1990, Holding completed an offering of 338,000 shares of its common stock at \$10.00 per share primarily to employees of EMJ. In October 1990, KIA IV exchanged \$20.0 million in principal amount of EMJ's variable rate subordinated notes for 2.0 million newly issued shares of Holding common stock.

In December 1991, Holding created the series B preferred stock and contributed 6,567 shares to Holding's stock bonus plan. An additional 6,687 shares and 5,287 shares of series B preferred stock were contributed to Holding's stock bonus plan in December 1992 and August 1993, respectively.

In March 1993, Holding and EMJ were restructured and EMJ's variable rate subordinated notes were exchanged for the Holding notes. After completion of this transaction, as of March 31, 1993, Holding's capitalization was as follows:

<u>Security</u>	<u>Aggregate Value of Securities</u>
Holding notes	\$ 55,000,000
Series A preferred stock, 247,546 shares, having an appraised value of \$120.18 per share, as of March 31, 1993	\$ 29,750,000
Series B preferred stock, 16,600 shares, having an appraised value of \$1,000 per share, as of March 31, 1993	\$ 16,600,000
Common stock, 15,462,676 shares, having an appraised value of \$8.06 per share, as of March 31, 1993	\$ 124,629,000

Since March 31, 1993, the balances of Holding's securities have changed as follows:

The Holding notes have accumulated interest at 18% per annum, compounding semi-annually. A cash interest payment of \$41.3 million was made in May 1998. In addition, a cash interest payment of \$25.3 million was made in June 2003. All other interest payments have been paid by issuing additional Holding notes.

The series A preferred stock accumulated dividends at the rate of 13% per annum from May 3, 1990 through December 31, 2002 and thereafter at 18% per annum. Since March 31, 1993, Holding has repurchased 189,973 shares of series A preferred stock. The series A preferred stock provides that dividends are not declared unless Holding is able to pay the dividend in cash. No dividends have been declared. Therefore, dividends have accumulated and are reflected in the appraised value.

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The series B preferred stock accumulated dividends at rates between 15 1/2% per annum and 19 1/2% per annum, paid quarterly. Dividend payments have been paid through the issuance of additional shares of series B preferred stock. Since March 31, 1993, Holding has repurchased 39,196 shares of series B preferred stock.

Holding has contributed approximately 4,162,000 shares of common stock to Holding's stock bonus plan and repurchased approximately 4,880,000 shares of common stock from departing employees.

The resulting Holding capital structure at March 31, 2003 was as follows:

<u>Security</u>	<u>No. of Shares</u>	<u>Aggregate Amount/ Appraised Value</u>
Holding senior notes		\$ 196,715,000
Series A preferred stock, having an appraised value of \$607.51 per share as of March 31, 2003	65,641	\$ 39,878,000
Series B preferred stock, having an appraised value of \$1,000 per share as of March 31, 2003	27,081	\$ 27,081,000
Common stock, having an appraised value of \$5.46 per share as of March 31, 2003	11,636,844	\$ 65,537,000

The compounding interest on the Holding notes and the compounding dividends on the series A preferred stock and series B preferred stock led our management to explore ways to create a simpler Holding capital structure without accreting securities. The amount of the Holding notes, series A preferred stock and series B preferred stock and the financial performance of EMJ until the beginning of 2004, limited Holding's available options to refinance or otherwise alter the Holding capital structure.

From time to time, Mr. Nelson discussed Holding's capital structure with representatives of Kelso. Among other things, Mr. Nelson expressed his concern about the adverse effect of the significant interest and dividend obligations of Holding on the value of the Holding common stock. Mr. Nelson and representatives of Kelso continued to discuss Holding's capital structure and the alternatives available to change the structure or otherwise mitigate the effects of the accreting interest and dividends on the Holding common stock. These discussions were complicated by separate ongoing negotiations with the Department of Labor relating to their investigation of the stock bonus plan.

On March 8, 2002, the Department of Labor broke off settlement discussions and filed suit against EMJ, Holding, the stock bonus plan and members of the benefits committee. The lawsuit alleged that the valuations of Holding's common stock used to make contributions to the stock bonus plan for plan years 1994 to 2000 contained significant errors resulting in the common stock contributed to the stock bonus plan in those years being overvalued.

In May 2002, we completed a refinancing of substantially all of EMJ's operating company indebtedness. In connection with the refinancing, we paid a dividend of \$25.0 million to Holding for the purpose of paying a portion of the Holding notes. In connection with the refinancing, KIA IV, as holder of the Holding notes, agreed to extend the maturity of the Holding notes from June 30, 2008 to June 30, 2013, and Mr. Nelson and Kelso agreed to explore restructuring alternatives for Holding after completion of that refinancing. The application of the dividend was subsequently deferred until June 30, 2003, when it was applied to the payment of interest on the Holding notes.

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In July 2002, Kelso asked Wachovia Securities to meet with our senior management and review Holding's capital structure and evaluate strategic alternatives. Wachovia Securities agreed on the understanding that Wachovia Securities would not be engaged by Kelso or Holding and would not be compensated for the work, but that Wachovia Securities would be considered for any future work involving a financial restructuring or other

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strategic alternatives for Holding. Prior to that time, Wachovia Securities had not provided any services to or with respect to EMJ or Holding.

On August 5, 2002, Wachovia Securities met with Messrs. Nelson, McCaffery and Johnson of Holding and Mr. Conley of Katten Muchin Zavis Rosenman, or KMZR, Holding's legal counsel. Mr. Sanders of Wachovia Securities discussed his background, his past involvement in other transactions with Kelso and his understanding that he had been asked to discuss with management their concerns about Holding's capital structure, to review the financial condition of Holding and to evaluate the strategic alternatives available to Holding. As part of this discussion, Mr. Sanders disclosed that, prior to July 2002 when Wachovia Securities first was asked to meet with our senior management and review Holding's capital structure and evaluate strategic alternatives, Wachovia Securities and its various predecessor firms were engaged to provide advisory services to two companies owned or controlled by Kelso or its affiliates and unaffiliated with EMJ or Holding (other than through Kelso ownership). He also disclosed that Wachovia Securities and its various predecessor firms and affiliates had acted as lenders to companies owned or controlled by Kelso or its affiliates prior to that date, none of which was affiliated with EMJ or Holding (other than through Kelso ownership). Mr. Sanders also discussed his personal, historical involvement with Kelso, including, while still in private legal practice, prior to his joining Wachovia Securities, providing services to and sitting on the boards of directors of three Kelso portfolio companies.

In September 2002, Wachovia Securities met and discussed their analysis with representatives of Kelso. Wachovia Securities made the following observations:

Wachovia Securities' valuation of Holding noted the potential for an adverse impact on equity values of Holding due to the accretion of the Holding notes and the series A preferred stock and series B preferred stock;

Wachovia Securities noted that management had expressed apprehension that declining equity values could cause employees to leave the Company;

Continued operation under the current capital structure would not resolve concerns about Holding's equity value without significant improvement in operating company performance above current forecasts;

Wachovia Securities' view that there did not appear to be any opportunity for a sale of the Company or a strategic combination at that time that would yield a valuation of Holding that would be acceptable to the various constituencies of Holding;

Wachovia Securities' view that without a financial restructuring (1) access to the markets for public offerings was still very limited in general and that the outlook for the metals industry in particular was very uncertain, (2) a public offering at a valuation that would be acceptable to the various constituencies of Holding, and not dilutive of existing holders, was not feasible, and (3) it was unlikely that the proceeds of a public offering would be sufficient to redeem the Holding notes and the series A preferred stock and series B preferred stock; and

A financial restructuring could facilitate other strategic alternatives.

In September 2002, we asked our legal counsel to outline the approval requirements and practical obstacles to a financial restructuring, and to review the issues with Kelso.

In December 2002, Holding and the Department of Labor resumed settlement negotiations, leading to a settlement agreement, or consent order, on January 27, 2003 that included the following provisions:

Holding was prohibited from making further common stock contributions to the stock bonus plan until its common stock becomes publicly traded;

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Holding was required to obtain annual appraisals using methodologies consistent with prior appraisals and to use such appraised values as the purchase price for repurchases of common stock as was done in the past; and

If the annual appraised value of Holding common stock was less than \$4.25 per share, Holding was required to repurchase shares of Holding common stock from departing employees at a price of \$4.25, known as the floor price guaranty, for shares that were originally contributed to the stock bonus plan for the plan years 1994-2000.

In April 2003, Mr. Nelson met Mr. Sanders and outlined to him an alternative proposal for the repurchase of the capital stock held by Holding's stock bonus plan and all other employee-owned Holding capital stock at a discounted price. Subsequently, senior management forwarded the proposal to Kelso for its review. The proposal stipulated that the funds for the purchase could come from the \$25.0 million dividend to Holding in 2002 and additional borrowings of \$35.0 million under our credit facility, subject to receipt of necessary consents. Shortly thereafter, Kelso advised Mr. Nelson that Kelso did not believe the proposal was practicable. Kelso also stated that it was engaged in continuing internal discussions as to the advisability of a Holding financial restructuring.

Company management and Kelso continued discussions regarding a financial restructuring from April through July 2003.

On July 29, 2003, at a meeting of the Holding board of directors, Mr. Nickell stated that Kelso was prepared to engage in negotiations for a financial restructuring. The Holding board of directors then formed a special committee of independent directors to develop, consider, evaluate and negotiate a financial restructuring, and to consider and evaluate other strategic alternatives for Holding. After considering the qualifications and relationships of Holding's directors with Kelso, the Holding board appointed Mr. Nelson and Mr. Mason to serve on the special committee. The Holding board of directors also authorized the benefits committee to coordinate efforts with the trustee of Holding's stock bonus plan to consider, evaluate and negotiate a recapitalization, restructuring or other strategic alternative on behalf of the stock bonus plan.

On August 27, 2003, the special committee met with and engaged KMZR as legal counsel. In making its selection of counsel, the special committee considered the firm's experience in similar transactions, its familiarity with Holding and EMJ and the provisions of our indebtedness and the Holding notes, equity securities and stock bonus plan and KMZR's familiarity with management and management's concerns about the capital structure.

After considering proposals from Wachovia Securities and one other investment banking firm, the special committee selected Wachovia Securities to serve as its financial advisor in connection with a possible financial restructuring of Holding. When making the proposal for Wachovia Securities, Mr. Sanders disclosed that, prior to July 2002 when Wachovia Securities first was asked to meet with our senior management and review Holding's capital structure and evaluate strategic alternatives, Wachovia Securities and its various predecessor firms were engaged to provide advisory services to two companies owned or controlled by Kelso or its affiliates and unaffiliated with EMJ or Holding (other than through Kelso ownership). He also disclosed that Wachovia Securities and its various predecessor firms and affiliates had acted as lenders to companies owned or controlled by Kelso or its affiliates prior to that date, none of which was affiliated with EMJ or Holding (other than through Kelso ownership). Mr. Sanders also discussed his personal, historical involvement with Kelso, including, while still in private legal practice, prior to his joining Wachovia Securities, providing services to and sitting on the boards of directors of three Kelso portfolio companies. The members of the special committee expressed a number of reasons for their determination, including Wachovia Securities' familiarity with the capital structure of Holding and its problems, Wachovia Securities' familiarity with management and its concerns about the capital structure, Wachovia Securities' experience in dealing with Kelso on behalf of adverse parties in other situations, and the experience of the Wachovia Securities team in similar financial restructuring transactions.

On September 17, 2003, Messrs. Mason, McCaffery and Johnson met with Wachovia Securities and KMZR to review Wachovia Securities preliminary analysis of Holding's financial condition, the strategic alternatives

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and a financial restructuring plan. Representatives of Wachovia Securities specifically reviewed the strategic alternatives potentially available to the Company other than a financial restructuring. Wachovia Securities identified a variety of factors to be considered by the Company in evaluating potential strategic alternatives, including valuation, liquidity, certainty and the potential for Holding stockholders to participate in future growth or appreciation of equity value. Wachovia Securities evaluated alternatives based on a wide range of valuations for the Company using a variety of valuation methodologies.

Wachovia Securities first evaluated the possibility of a public offering of equity securities. They observed that, at that time, access to the markets for public offerings was still very limited in general, and that the outlook for the metals industry was particularly uncertain. Wachovia Securities believed that a public offering at a valuation that would be acceptable to the various constituencies of Holding would not be feasible given then current and anticipated market conditions. In addition, it was unlikely that the proceeds of a public offering would be sufficient to pay off the Holding notes, the series A preferred stock and the series B preferred stock in full. The ability to effect a common stock public offering at a satisfactory valuation would be adversely affected by the presence in the post-offering capital structure of outstanding Holding notes, the series A preferred stock and the series B preferred stock.

Wachovia Securities then addressed the prospects for a strategic combination or other sale of the Company. Wachovia Securities identified several potential strategic partners and presented an evaluation of the prospects of consummating a transaction with each of them. Wachovia Securities noted that there did not appear to be any opportunity for a sale of the Company or a strategic combination at that time that, in their view, would yield a valuation of Holding that would be acceptable to various constituencies of Holding. Wachovia Securities also analyzed the financing capacity of potential candidates to acquire Holding. Wachovia Securities concluded that, at that time, based on publicly available information and additional information proprietary to Wachovia Securities, the most likely acquiring parties would not be interested in a transaction involving EMJ. Wachovia Securities arrived at this conclusion after consulting with its personnel who were in regular contact with metal service center companies. Among the reasons Wachovia Securities reached this conclusion were the following: (1) no potential acquiring party had approached EMJ management or Kelso regarding a potential transaction, despite the knowledge in the industry that EMJ was majority owned by Kelso, a private equity group, and would therefore be receptive to serious acquisition proposals, (2) the universe of potential strategic acquirers was limited because of the small number of companies involved in the metal service center industry with the size and financial capacity to acquire EMJ, and the financial condition and/or strategic direction of those companies that seemed to be likely candidates did not appear to be consistent with either a common stock or a cash acquisition of the magnitude necessary for EMJ, (3) the universe of potential financial sponsor acquirers was limited by the leverage constraints in the market which, in conjunction with EMJ's already high level of debt, would likely prohibit valuation levels that the Holding's board of directors would find acceptable, and (4) the capital structure of EMJ presented structural complexities which could adversely affect the valuation of EMJ by any potential acquiror or strategic partner. In addition, Wachovia Securities believed that potential acquisition candidates would be unlikely to find sufficient financing to pay a significant portion of the purchase price in cash. Based on the special committee's evaluation of the materials and analysis provided by Wachovia Securities, the special committee determined that it should continue to work toward a financial restructuring transaction.

On September 18, 2003, a meeting was scheduled with the trustee of the stock bonus plan to brief the trustee on the contemplated financial restructuring transaction. On September 22, 2003, the trustee informed the representatives of the special committee that because the trustee would be directed by the stock bonus plan participants or the benefits committee of the stock bonus plan in connection with the approval of such a transaction, the trustee would not be making any discretionary decisions as to the desirability of any transaction. Accordingly, it was not necessary to involve the trustee with respect to the structuring and negotiation of the terms of the financial restructuring.

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After consultation with its legal advisors, the special committee determined that it would recommend to Holding's benefits committee that the benefits committee engage a financial advisor to assist it in considering, evaluating and negotiating the terms of the financial restructuring on behalf of the stock bonus plan.

On October 2, 2003, after receiving a presentation from Duff & Phelps, LLC, the benefits committee selected Duff & Phelps to serve as its financial advisor. Duff & Phelps indicated it had been engaged from time to time to perform valuation work for certain Kelso portfolio companies. The benefits committee expressed its desire to work with Duff & Phelps for a number of reasons, including Duff & Phelps' familiarity with Holding, the stock bonus plan and the benefits committee from its work in the DOL litigation, Duff & Phelps' detailed understanding of the past appraisals of Holding and its capital stock, and Duff & Phelps' extensive experience in dealing with ESOPs, stock bonus plans and the special ERISA issues affecting those plans.

On October 13, 2003, Wachovia Securities met with the special committee, Messrs. McCaffery and Johnson, Duff & Phelps and the legal counsel to the special committee to make a presentation outlining their analysis of the financial condition of Holding, the alternatives available to Holding to deal with Holding's capital structure and a proposal for a financial restructuring.

Wachovia Securities and the members of the special committee considered general objectives of a financial restructuring proposal from the perspective of the special committee and its constituencies, principally the employee stockholders of Holding, including the following:

to treat the employee stockholders fairly and provide them with the best available opportunity for preserving current value without sacrificing the opportunity for future appreciation;

to align incentives for management and employees with other stockholders and to provide an equity incentive for employees;

to be cognizant of the fact that the vast majority of the employee ownership is in a retirement savings plan; and

to recognize that the current capital structure is likely to adversely affect preferred and common equity value.

The special committee and its advisors also considered the competing priority claims arising from KIA IV's ownership of the Holding notes and the employee put rights under the Holding stockholders agreement and the stock bonus plan and the need to balance those claims to achieve an effective compromise.

As a result of discussions with its advisors, the special committee developed a financial restructuring proposal in which all securityholders would receive common stock of EMJ at the most recent appraised value of \$5.46 per share, without any additional consideration being allocated for interest and dividend accruals since March 31, 2003. The special committee also stated that any transaction should afford employees the opportunity to quit or retire and resell their stock to EMJ at the March 31, 2003 valuation and that the floor price guaranty from the consent order be continued.

Duff & Phelps observed that the proposal would be most favorable to the holders of Holding common stock, which included many employee stockholders, but noted that Kelso was the owner of approximately two-thirds of the common stock on a fully diluted basis. The proposal would

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be least favorable to the holders of the Holding notes, the series A preferred stock and the series B preferred stock. Duff & Phelps indicated that they would complete their valuation due diligence and evaluate the proposal as outlined and provide comments and suggestions.

On October 17, 2003, representatives of Duff & Phelps met with Messrs. Nelson, McCaffery and Johnson for diligence purposes and to discuss their views of the proposal with them as members of the benefits committee.

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On October 21, 2003, the special committee met with its financial and legal advisors, Messrs. McCaffery and Johnson and representatives of Duff & Phelps to receive and discuss comments. Duff & Phelps said that they were generally supportive of the special committee's proposal, but suggested that stock bonus plan participants be entitled to a floor price guaranty of \$5.46 for the put rights applicable to the shares of EMJ common stock received by stock bonus plan participants as merger consideration in exchange for their series A and B preferred stock.

After discussing the proposal with its advisors, the special committee directed Wachovia Securities to make a proposal to Kelso as follows:

all securities of Holding outstanding upon completion of the merger and financial restructuring would be exchanged for or converted into common stock of EMJ using the appraised value of \$5.46 per share of the common stock of Holding as of March 31, 2003 to calculate the number of shares of EMJ common stock to be issued;

a floor price guaranty of \$5.46 that would apply if participants in the stock bonus plan exercised their put rights following a termination of employment with respect to the shares of EMJ common stock issued to the stock bonus plan as merger consideration in exchange for shares of preferred stock of Holding; and

voluntary continuation of the floor price guaranty with respect to shares of EMJ common stock issued to the stock bonus plan as merger consideration in exchange for the shares of common stock of Holding contributed to the stock bonus plan for plan years 1994-2000, as provided in the consent order in the litigation involving the DOL, and continued use of the same methodology in future appraisals prepared for the stock bonus plan.

After the meeting, the benefits committee met to review the proposal. The benefits committee unanimously (except for Mr. Hoffman who was absent) supported the proposal.

On October 21, 2003, Wachovia Securities submitted the special committee's proposal to Kelso. On October 22, 2003, Kelso responded to the proposal and indicated that they would be willing to agree to a financial restructuring that resulted in all of Holding's securities, including the Holding notes, being converted into EMJ common stock based on a price of \$5.46 per share, but that they would not agree to a floor price applicable to put rights for the EMJ common stock issued to the stock bonus plan in exchange for shares of Holding's series A preferred stock and series B preferred stock.

Between October 22, 2003 and November 3, 2003, the special committee and Kelso negotiated over alternative formulations for a floor price applicable to puts by stock bonus plan participants of shares of EMJ common stock received as merger consideration for shares of Holding series A preferred stock and series B preferred stock. On November 3, 2003, the special committee proposed to Kelso that a floor price guaranty of \$5.46 per share of EMJ common stock be available to the former holders of the series A preferred stock and the series B preferred stock only until March 31, 2005. If a participant in the stock bonus plan terminated his employment on or prior to March 31, 2005, the purchase price for the common stock issued as merger consideration for the Holding preferred stock would be the greater of the applicable appraised value and \$5.46 per share.

On November 6, 2003, Kelso advised the special committee and its advisors that it had been approached by an investment banking firm that was interested in evaluating the feasibility of a high-yield debt financing that would partially refinance the Holding notes. Kelso advised that the investment banking firm was reviewing the appropriateness of refinancing transactions on behalf of several of Kelso's portfolio companies given the then-current availability of high-yield financing. Kelso asked management and counsel to consider the feasibility of such a transaction. Management provided additional financial information to Kelso, and counsel outlined the mechanics for a combined refinancing and financial restructuring.

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Over the next several days, Mr. Nelson and Wachovia Securities expressed their views to Kelso that a partial refinancing without a concurrent financial restructuring would not be acceptable to the special committee. The special committee and its advisors made several inquiries about the possible structure for such a transaction, particularly whether such a transaction would involve debt forgiveness in connection with KIA IV receiving a cash payment for a portion of the Holding notes. Kelso advised that the investment bankers thought that debt forgiveness would be impractical because it could adversely affect the market for a refinancing.

In an effort to resolve open issues, Wachovia Securities asked whether Kelso would drop consideration of the refinancing if the special committee withdrew its request for the floor price. After internal discussion, Kelso indicated that if the proposed floor price for the preferred stock was withdrawn, they would no longer consider a high-yield refinancing.

On November 21, 2003, after consideration of the alternatives and discussions with Wachovia Securities and Duff & Phelps, the special committee decided to withdraw the floor price proposal and proceed with finalizing the details of a financial restructuring. In lieu of the floor price proposal, the special committee requested that the financial restructuring provide an opportunity for a limited period of time for employees who elect to terminate their employment to receive payment on their stock bonus plan account at the greater of March 31, 2003 and March 31, 2004 valuations. Kelso agreed to that provision.

On November 25, 2003, counsel to the special committee circulated a draft of a proposed merger agreement providing for the financial restructuring.

Kelso and its representatives negotiated several drafts of the merger agreement and related documents with the special committee and its representatives. In the course of such negotiations, the special committee and Kelso agreed that the value of the Holding notes, series A preferred stock and series B preferred stock would be fixed as of November 30, 2003 (in the case of the series A preferred stock and series B preferred stock, on the same basis as the prior appraisal) and would include accrued interest and dividends through such date, but not thereafter. On December 8, 2003, Kelso and the special committee agreed in principal on all significant terms of the transaction.

On December 11, 2003, Duff & Phelps met with the members of the benefits committee to deliver its fairness opinion orally and review their underlying analysis and the reasons for their conclusions. Based on all of the information available to them, including their familiarity with EMJ, its business, financial condition and prospects, the fairness opinion, presentation and analysis provided by Duff & Phelps and management's projections for EMJ's next fiscal year, the members of the benefits committee concluded that the stock bonus plan would receive adequate consideration (as that term is defined under ERISA) for each class of Holding's equity securities converted into EMJ common stock in the merger and financial restructuring. The benefits committee also determined that (1) shares held by the stock bonus plan that are not allocated to a rollover account for which a participant fails to provide the trustee with voting instructions shall be voted for adoption and approval of the merger agreement and the merger and financial restructuring and (2) participants will be advised in the disclosure materials that their shares held in the stock bonus plan will be voted accordingly.

On December 11, 2003, in a separate meeting, the special committee met with Wachovia Securities, Duff & Phelps and management to receive the oral fairness opinions of Wachovia Securities and Duff & Phelps and to review its underlying analysis and reasons for its conclusions. After discussion, the special committee unanimously determined to approve the merger agreement and the merger and financial restructuring and to recommend to the Holding board of directors their approval of the merger agreement and the merger and financial restructuring.

On December 11, 2003, after the meeting of the special committee, the Holding board of directors met with the special committee and its advisors. As part of this discussion, Mr. Sanders disclosed that, prior to July 2002 when Wachovia Securities was first asked to meet with our

senior management and review Holding s capital

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structure and evaluate strategic alternatives, Wachovia Securities and its various predecessor firms were engaged to provide advisory services to two companies owned or controlled by Kelso or its affiliates and were also engaged in late 2003 to provide advisory services to another company owned or controlled by Kelso or its affiliates and unaffiliated with EMJ or Holding (other than through Kelso ownership). In addition, Wachovia Securities and its various predecessor firms have acted as lenders to companies owned or controlled by Kelso or its affiliates both prior to and after July 2002, none of which was affiliated with EMJ or Holding (other than through Kelso ownership). Mr. Sanders also discussed his personal, historical involvement with Kelso, including, while still in private legal practice, prior to joining Wachovia Securities, providing services to and sitting on the boards of directors of three Kelso portfolio companies. After reviewing the reports of the special committee and its advisors, all of the members of the Holding board of directors present at the meeting (Messrs. Marquard and Rutledge were absent) adopted and approved the merger agreement and the merger and financial restructuring and recommended its approval to the stockholders of Holding. On December 11, 2003, all of the members of the EMJ board of directors present at the meeting (Messrs. Marquard and Rutledge were absent) also met and approved the transaction.

Following approval of the merger agreement and the merger and financial restructuring by the boards of directors of Holding and EMJ on December 11, 2003, the parties executed the merger agreement on December 18, 2003, and EMJ initially filed its registration statement, of which this proxy statement/prospectus is a part, with the Commission on January 13, 2004. EMJ then apprised Wells Fargo Bank, N.A., as trustee of the stock bonus plan, of the status of the transaction and anticipated vote on the merger and provided Wells Fargo with materials related to the review and consideration of the proposed transaction by the benefits committee of the stock bonus plan and the draft disclosure materials for the solicitation of votes of the stock bonus plan participants, including the initial filing of the registration statement. In February and March 2004, members of the benefits committee and its representatives had various discussions and exchanged correspondence and other written materials with Wells Fargo regarding the merger, the procedures followed by the benefits committee in evaluating the merger and other strategic alternatives and the disclosures to be made to stock bonus plan participants regarding the merger in seeking the approval of the merger by these participants.

In late February 2004, the Department of Labor requested meetings with Wells Fargo and the benefits committee to review their procedures in connection with their respective evaluations of the proposed transaction and other strategic alternatives, as well as compliance of the proposed transaction with the provisions of the consent order. Representatives of Wells Fargo and the benefits committee met with the Department of Labor on March 16, 2004 and March 18, 2004, respectively. In addition, on March 15, 2004, Holding and the stock bonus plan received a subpoena from the Department of Labor requesting that they provide to the Department of Labor certain materials regarding the merger and the stock bonus plan. Holding and the benefits committee responded in full to the subpoena.

The Department of Labor review of the transaction resulted in delays that, combined with other transactional requirements, precluded the consummation of the merger and financial restructuring on the terms originally proposed, and in May 2004, the legal counsel of the benefits committee advised the Department of Labor and the stock bonus plan trustee that the special committee and the benefits committee had reached that conclusion. In its review, the Department of Labor urged the benefits committee to consider changes to the merger and financial restructuring that would eliminate on a going-forward basis the valuation methodology that was agreed upon in the DOL consent order.

During the next few weeks, the special committee, the benefits committee and their respective advisors developed an alternative transaction similar to the initially proposed merger and financial restructuring that would also eliminate on a going-forward basis the valuation methodology that was agreed to in the consent order, and reviewed the alternative transaction with Kelso to determine that it would be acceptable to them. On June 14, 2004, representatives of the special committee, the benefits committee and their respective advisors outlined a

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proposal to the Department of Labor to amend the consent order and eliminate use of the old valuation methodology that included the following:

amend the consent order to eliminate the provisions requiring use of the old valuation methodology and the floor price guaranty;

make a special contribution to the stock bonus plan (or comparable benefits under other programs) with respect to the shares of Holding common stock contributed to the stock bonus plan from 1994 through 2000 to offset the adverse effect on the value of such common stock resulting from the change in valuation methodology; and

complete a merger and financial restructuring transaction similar to the merger and financial restructuring originally proposed that would result in the conversion of the Holding common stock, series A preferred stock and series B preferred stock into, and the exchange of the Holding notes for, EMJ common stock.

That proposal contemplated that the number of shares to be contributed to the stock bonus plan in the special contribution would be calculated based on the ratio of the value of the Holding common stock using the old methodology and the value of the Holding common stock using the new valuation methodology. The proposal also provided that the special contribution would be made primarily in the form of shares of Holding common stock, but, to comply with certain provisions of the Internal Revenue Code limiting contributions to a stock bonus plan, the special contribution would be made in two increments in April 2005 and April 2006, a portion of the contribution would be made by creating a supplemental stock bonus plan and crediting the accounts under the stock bonus plan of certain participants with phantom stock units and a portion of the special contribution would be satisfied by making cash payments.

The representatives of the Department of Labor indicated that in general terms an amendment to the consent order and a transaction along the lines of the new proposal would be feasible, but that they would like to see more specific details of such a proposal based on a new appraisal of Holding as of March 31, 2004.

In June and July 2004, EMJ began to receive serious indications of interest from investment banking firms regarding the possibility of a public offering. Representatives of EMJ and their advisors discussed with the investment bankers a possible transaction involving a concurrent merger and financial restructuring and public offering, in which the value of the EMJ common stock issued in exchange for Holding securities in the merger and financial restructuring would be based on the offering price of the EMJ common stock and a substantial portion of the net proceeds of the public offering would be used to pay the exchange consideration for the Holding notes and the merger consideration for the series A preferred stock and the series B preferred stock.

On July 29, 2004, the representatives of the special committee and the benefits committee reported to the board of directors on the status of the discussions with the Department of Labor, and the board of directors discussed and decided to continue to pursue an amendment of the consent order along the lines initially proposed to the Department of Labor, but not contingent on the occurrence of a merger and financial restructuring or a public offering. The board also directed management to continue to meet with investment bankers and pursue a concurrent merger and financial restructuring and public offering contingent upon amendment of the consent order.

On August 18, 2004, the benefits committee sent its proposal for an amendment of the consent order together with the annual appraisal of Holding as of March 31, 2004, a separate sheet showing how the appraisal would change if the consent order was amended as proposed and documents necessary to implement the special contribution to the stock bonus plan. The proposal was essentially the same as the one outlined on June 14, 2004, except that it was not contingent on a merger and financial restructuring. The benefits committee informed the Department of Labor that Holding and EMJ still were diligently pursuing a merger and financial restructuring and concurrent public offering.

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The special committee and the benefits committee met with their advisers on August 20, 2004 to prepare a proposal for the terms of the merger and financial restructuring. On September 2, 2004, representatives of the special committee had a conference call with representatives of Kelso to discuss the proposal in detail. As a result of those discussions and several additional conversations, the special committee and Kelso agreed on general terms of the merger and financial restructuring as follows:

Holding would merge into a newly formed subsidiary of EMJ and the securities of Holding would convert into or be exchanged for a combination of cash and EMJ common stock as follows:

each share of Holding common stock would convert into one share of EMJ common stock;

each share of series A preferred stock would convert into \$686.81 in cash (which amount was equal to the liquidation value of a share of series A preferred stock plus all accumulated and unpaid dividends through September 29, 2004);

the Holding notes would be exchanged for a combination of cash and EMJ common stock equal to approximately \$257,100,000 (the aggregate amount of principal and accrued interest through September 29, 2004); and

each share of series B preferred stock would convert into a combination of cash and EMJ common stock equal to \$1,000, which amount was equal to the liquidation value of a share of series B preferred stock (all accumulated dividends have been paid in-kind through September 29, 2004).

The merger and financial restructuring would be concurrent with a public offering of the common stock of EMJ, and the public offering price of the EMJ common stock would establish the value of the EMJ common stock to be used as merger consideration and exchange consideration in the merger and financial restructuring.

The special committee also proposed, and Kelso agreed to consider, that the net proceeds of the offering would be allocated to the merger and exchange consideration (1) first, to the payment in cash of the series A preferred stock; (2) second, to the payment to the Holding notes, until the Holding notes have received an amount that is equal to 76.8% of all distributions from clause (1) and this clause (2); and (3) third, to the payment of the Holding notes and the Holding series B preferred stock in the proportion that these respective amounts represent of the aggregate remaining amounts of the Holding Notes and the series B preferred stock. Because the series A preferred stock was to be paid in full in cash, the holders of the series A preferred stock would have no right to vote on the transaction.

The proposed merger and financial restructuring was contingent on agreement with the DOL on an amended consent order and the making of a special contribution to the stock bonus plan substantially as proposed to the Department of Labor, and completion of a concurrent public offering of EMJ common stock on terms satisfactory to EMJ and Kelso.

The special committee and Kelso agreed that negotiations with respect to the treatment of the Holding stock options and the shares of Holding common stock held by the stock bonus plan that were not the result of employer contributions to the stock bonus plan would be deferred until after agreement had been reached with the DOL on the proposed amended consent order.

During September 2004, EMJ proceeded with preparations for a public offering and filed its registration statement on Form S-1, of which the public offering preliminary prospectus is a part, with the Commission on October 1, 2004. At the same time, representatives of the special committee and the benefits committee continued to have discussions with the DOL.

In October 2004, Kelso and its representatives negotiated several drafts of the merger agreement and related documents with the special committee and its representatives. On October 15, 2004, the special committee, after consulting with the benefits committee, requested a change in the terms of the transaction. The benefits

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committee requested that the holders of the series A preferred stock receive a combination of cash and EMJ common stock equal to the appraised value of the series A preferred stock as of March 31, 2004, plus dividends accrued from April 1, 2004 through September 29, 2004, for a total of \$816.68 per share of series A preferred stock. As a result of such change, the series A preferred stock would not receive a preferential allocation of cash proceeds and a lower redemption price, but would receive cash and EMJ common stock and a higher appraised value. Kelso and the special committee agreed to such change and that the net proceeds of the public offering should be applied to the Holding notes, the series A preferred stock and the series B preferred stock outstanding at closing in the same proportion that their respective aggregate values as of September 29, 2004 bear to the aggregate values of the Holding notes, the series A preferred stock and the series B preferred stock as of September 29, 2004.

On October 15, 2004, the DOL provided the representatives of the benefits committee with comments on the proposed amended consent order. On October 27, 2004, the benefits committee submitted to the DOL a revised amended consent order and a memorandum outlining the program for the special contribution to the stock bonus plan.

On November 5, 2004, Kelso submitted a proposal to management and the benefits committee and its advisors for the treatment of the Holding stock options, the treatment of the shares of Holding common stock held by the stock bonus plan that were not the result of contributions to the stock bonus plan, and the liquidity of shares of common stock held by the stock bonus plan, executive officers and certain other management of EMJ. Kelso proposed that (1) the Holding stock options would be modified by increasing the number of shares of Holding common stock issuable upon exercise of an option and reducing the exercise price, (2) the special contribution to the stock bonus plan would be increased to cover all shares of Holding common stock held by the stock bonus plan, not just the shares of Holding common stock contributed to plan for plan years 1994 - 2000, (3) the stock bonus plan would be amended to provide for a gradual increase in the ability of plan participants to diversify their account holdings of EMJ common stock after the consummation of a public offering, (4) executive officers and senior management of EMJ would agree to restrictions on their ability to sell their holdings of EMJ common stock for a period of two years after a public offering and (5) EMJ would establish a new stock incentive plan with authorized shares equal to approximately 5% of the EMJ common stock expected to be outstanding after consummation of the merger and financial restructuring and the public offering to be granted by the EMJ board of directors or compensation committee over the next three years.

On November 15, 2004, management and the benefits committee met with its advisors and discussed the Kelso proposals and the status of negotiations with the DOL. On November 17, 2004, the DOL indicated that it had agreed in principle on a draft of the amended consent order. After further discussion with and internal review by the DOL, Holding, EMJ the benefits committee and the DOL agreed on the form of the amended consent order, and the order was entered on January 3, 2005.

Representatives of Kelso and the special committee negotiated changes in the merger agreement, the exchange agreement and related documents. The benefits committee asked for an additional bonus payable to employees with Holding common stock allocated to their accounts in the stock bonus plan. In response to discussions with representatives of the benefits committee, EMJ agreed to pay a taxable bonus (1) in the aggregate amount of \$7.5 million to its employees on the date of this proxy statement/prospectus who are also participants in the stock bonus plan to be allocated to such employees in the proportion that the number of shares of Holding common stock allocated to an employee's stock bonus plan account on December 16, 2004 bears to the aggregate number of shares of Holding common stock allocated to the stock bonus plan accounts of all such employees, which bonus is expected to be approximately \$3.27 per share of Holding common stock held in the stock bonus plan and (2) in the aggregate amount of \$1.0 million to participants who are not participants in the EMJ management incentive plan or the EMJ sales bonus plan and are scheduled to receive the above-referenced employee bonus in an amount that is less than the maximum bonus that could be allocated to such participants (approximately \$3,337) which will be allocated to such employees in an amount that is equal to the difference between such maximum and the amount of the bonus described in clause (1), except if the participant has been employed for less than one year, such person will receive a prorated amount based on actual days of service.

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On December 15, 2004, Duff & Phelps met with the members of the benefits committee to deliver its fairness opinion orally and review their underlying analysis and the reasons for their conclusions. The benefits committee considered the terms of the proposed merger and financial restructuring and related transactions as set forth in the merger agreement and the exchange agreement and as outlined to them by Holding's advisors. The benefits committee considered the analysis of Duff & Phelps and the advantages and disadvantages of the transaction to the holders of Holding common stock and preferred stock and the potential effects on such stockholders of the accretion of interest and dividends on the Holding notes and dividends on the Holding preferred stock in the future. The benefits committee considered the merger and financial restructuring in the context of the need to determine the fairness of the transaction without knowing with certainty the price of the EMJ common stock that would be established in the public offering. The benefits committee determined the minimum price of EMJ common stock and the minimum net proceeds of the public offering that would result in the participants in the stock bonus plan receiving not less than the fair market value for each class of Holding's equity securities held by the stock bonus plan. Based on all of the information available to them, including their familiarity with EMJ, its business, financial condition and prospects, the fairness opinion, presentation and analysis provided by Duff & Phelps and management's projections for EMJ's next fiscal year, the members of the benefits committee concluded that under the terms of the transaction, including a minimum price of \$5.00 per share of EMJ common stock in the public offering and a minimum of \$100,000,000 of net proceeds from the public offering, the stock bonus plan would receive not less than the fair market value for each class of Holding's equity securities converted into EMJ common stock or EMJ common stock and cash in the merger and financial restructuring. The benefits committee also determined that (1) shares held by the stock bonus plan that are not allocated to a rollover account for which a participant fails to provide the trustee with voting instructions shall be voted for adoption and approval of the merger agreement and the merger and financial restructuring and (2) participants will be advised in the disclosure materials that their shares held in the stock bonus plan will be voted accordingly.

On December 16, 2004, in a separate meeting, the special committee met with Wachovia Securities, Duff & Phelps and management to receive the oral fairness opinions of Wachovia Securities and Duff & Phelps and to review the underlying analysis of such opinions. The members of the special committee reviewed the merger agreement, the exchange agreement and the related documents providing for the merger and financial restructuring with the special committee's advisors. They discussed the advantages and disadvantages of the transaction to the Holding stockholders other than Kelso, the potential effects on such stockholders of the accretion of interest on the Holding notes and dividends on the Holding preferred stock in the future and the need to take advantage of the current opportunity to address the problems of Holding's capital structure while the Company has access to the capital markets. The special committee considered the transaction and the fairness presentations of Wachovia Securities and Duff & Phelps in the context of the need to determine the fairness of the transaction without knowing with certainty the price of the EMJ common stock that would be established by or the net proceeds that would result from the public offering. The special committee determined the minimum offering price and minimum net proceeds that would result in a transaction that it believed would be fair to the Holding stockholders other than Kelso. The analyses of Wachovia Securities and Duff & Phelps were considered by the special committee in determining the minimum price together with the many other factors described in detail below under Recommendation of the Special Committee. After discussion and consideration of the foregoing, the special committee unanimously determined to approve the merger agreement and the merger and financial restructuring, including a minimum price of \$5.00 per share of EMJ common stock in the public offering and a minimum of \$100,000,000 of net proceeds from the public offering, and to recommend to the Holding board of directors its approval of the merger agreement and the merger and financial restructuring.

On December 16, 2004, after the meeting of the special committee, the Holding board of directors met with the special committee and Holding's advisors. The members of the board of directors reviewed the merger agreement, the exchange agreement and the related documents providing for the merger and financial restructuring with Holding's advisors. They also received the oral fairness opinions of Wachovia Securities and Duff & Phelps providing their analysis of the fairness of the transaction. As part of this discussion, Mr. Sanders reviewed and updated his prior disclosure regarding involvement by Wachovia Securities and its various

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predecessor firms with other companies owned or controlled by Kelso or its affiliates both prior to and after July 2002. Mr. Sanders also reviewed his prior personal, historical involvement with Kelso and Kelso portfolio companies. He had nothing new to add to the prior disclosures. The members of the board discussed the advantages and disadvantages of the transaction to the Holding stockholders other than Kelso. The board of directors considered the transaction in the context of the need to determine the fairness of the transaction without knowing with certainty the price of the EMJ common stock that would be established by or the net proceeds that would result from the public offering. The board of directors determined the minimum offering price and minimum net proceeds that would result in a transaction that it believed would be fair to the Holding stockholders other than Kelso. The analyses of Wachovia Securities and Duff & Phelps were considered by the board of directors in determining the minimum price together with the many other factors described below under Recommendation of the Board of Directors. After reviewing the reports of the special committee and its advisors and discussing the foregoing, the Holding board of directors unanimously adopted and approved the merger agreement and the merger and financial restructuring, including a minimum price of \$5.00 per share of EMJ common stock in the public offering and a minimum of \$100,000,000 of net proceeds from the public offering, and recommended its approval to the stockholders of Holding. The Holding board of directors reserved the right to review and confirm its approval of the transaction based on the price range received from the underwriters for inclusion in the public offering preliminary prospectus. On December 16, 2004, the EMJ board of directors also met and approved the transaction.

Following approval of the merger agreement and the merger and financial restructuring by the boards of directors of Holding and EMJ, the parties executed the merger agreement on December 17, 2004, and EMJ filed an amendment to the registration statement of which this proxy statement/prospectus is a part with the Commission.

On January 28, 2005, the boards of directors of Holding and EMJ approved and the parties executed a first amendment to the merger agreement making receipt of the tax opinion and the minimum conditions for the price of the EMJ common stock and the net proceeds of the public offering nonwaivable conditions precedent to the closing of the merger and financial restructuring.

On March 3, 2005, the benefits committee of Holding met with its financial advisor, legal counsel and legal counsel to the special committee to review the terms of the transaction, current financial information of EMJ, current industry information and an estimated pricing range and size of the offering. The benefits committee also received an updated financial and comparative analysis from Duff & Phelps based on current financial information of EMJ and current information about the industry and comparable public companies. The benefits committee did not request an updated fairness opinion at this time, because it believed that an updated financial and comparative analysis would be sufficient for its review of the terms of the merger and financial restructuring. The benefits committee took into account the requirement in the merger agreement that Duff & Phelps would deliver an updated fairness opinion immediately prior to the special stockholders meeting. The members of the benefits committee discussed the analysis with Duff & Phelps, and after the presentation and discussion they did not have any significant questions regarding the analysis or the methodology. The members of the benefits committee reviewed the transaction based on the current financial information of EMJ and current information about the industry and comparable public companies and the updated analysis of Duff & Phelps. They also considered again the reasons for their approval of the transaction in December 2004. Taking all of these considerations into account, the benefits committee voted unanimously to confirm its approval of the transaction and recommended an increase in the minimum condition with respect to the price of the EMJ common stock in the public offering from \$5.00 to \$7.00 per share of EMJ common stock. The benefits committee believed that an increase in the minimum price was appropriate in light of the financial performance of EMJ, the updated projections of EMJ's management and the estimated pricing range for the offering. These factors and the analysis of Duff & Phelps, including their conclusion as to the range of value for the Holding common stock, were useful in assisting the benefits committee to determine the minimum price. The benefits committee also discussed and approved a change in the terms of the merger and financial restructuring to provide that the net proceeds of the exercise of the over-allotment option, if any, would be allocated pro rata to the Holding notes, the series A preferred stock and the series B preferred stock in proportion to the aggregate value of the respective securities.

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On March 3, 2005, the special committee of Holding met with its financial advisor, the financial advisor to the benefits committee and legal counsel to the special committee to review the terms of the transaction, current financial information of EMJ, current industry information and an estimated pricing range and size of the offering. The special committee also received an updated financial and comparative analysis from Wachovia Securities and from Duff & Phelps, in each case based on current financial information of EMJ and current information about the industry and comparable public companies. The special committee and the board of directors of Holding did not request updated fairness opinions at this time, because they believed that updated financial and comparative analyses would be sufficient for their review of the terms of the merger and financial restructuring. The board of directors took into account the requirement in the merger agreement that Wachovia Securities and Duff & Phelps would deliver updated fairness opinions immediately prior to the special stockholders meeting. The members of the special committee discussed the analyses with Wachovia Securities and Duff & Phelps, and after the presentation and discussion they did not have any significant questions regarding the analysis or the methodology. The members of the special committee reviewed the reasons for their approval and recommendation of the merger and financial restructuring in December 2004, as described below under Recommendation of the Special Committee, all of which continued to be applicable. They also reviewed the current financial information of EMJ and the current information about the industry and the comparable public companies and the updated analyses of Wachovia Securities and Duff & Phelps. Taking all of these considerations into account, the special committee voted unanimously to confirm its approval of the transaction and recommended an increase in the minimum condition with respect to the price of the EMJ common stock in the public offering from \$5.00 to \$7.00 per share of EMJ common stock. The special committee believed that an increase in the minimum price was appropriate in light of the financial performance of EMJ, the updated projections of EMJ's management and the estimated pricing range for the offering. The analyses of Wachovia Securities and Duff & Phelps were two of many factors that the members of the special committee considered in assessing the enterprise value of Holding and the range of value of the Holding common stock and determining the minimum condition for the price of a share of EMJ common stock in the public offering. The special committee also discussed and recommended a change in the terms of the merger and financial restructuring to provide that the net proceeds of the exercise of the over-allotment option, if any, would be allocated pro rata to the Holding notes, the series A preferred stock and the series B preferred stock in proportion to the aggregate value of the respective securities.

On March 3, 2005, the board of directors of Holding met with its financial advisor, the financial advisor to the benefits committee and legal counsel to the special committee to review the terms of the transaction, current financial information of EMJ, current industry information and an estimated pricing range and size of the offering. The Holding board of directors also received an updated financial and comparative analysis from Wachovia Securities and from Duff & Phelps, in each case based on current financial information of EMJ and current information about the industry and comparable public companies. The members of the Holding board of directors discussed the information and the updated analyses with its advisors. The members of the board of directors discussed the analyses with Wachovia Securities and Duff & Phelps, and after the presentation and discussion they did not have any significant questions regarding the analysis or the methodology. The members of the board of directors reviewed the reasons for their approval and recommendation of the merger and financial restructuring in December 2004, all of which continued to be applicable. They also reviewed the current financial information of EMJ and the current information about the industry and the comparable public companies and the updated analyses of Wachovia Securities and Duff & Phelps. Taking all of these considerations into account, the special committee voted unanimously to confirm its approval of the transaction and determined to increase the minimum condition with respect to the price of the EMJ common stock in the public offering from \$5.00 to \$7.00 per share of EMJ common stock. The analyses of Wachovia Securities and Duff & Phelps were two of many factors that the members of the Holding board of directors considered in assessing the enterprise value of Holding and the range of value of the Holding common stock and determining the minimum condition for the price of a share of EMJ common stock in the public offering. The board of directors also discussed and approved a change in the terms of the merger and financial restructuring to provide that the net proceeds of the exercise of the over-allotment option, if any, would be allocated pro rata to the Holding notes, the series A preferred stock and the series B preferred stock in proportion to the aggregate value of the respective securities. The board of

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directors also voted to set the record date for the special meeting of stockholders as March 1, 2005 and date and time of the special meeting as 10:00 am Eastern Time on April 13, 2005.

On March 3, 2005, the boards of directors of Holding and EMJ approved and the parties executed a second amendment to the merger agreement and a first amendment to the exchange agreement changing the minimum condition for the price of the EMJ common stock in the public offering to \$7.00 per share and changing the allocation of the net proceeds of the exercise of the over-allotment option, if any.

Recommendation of the Special Committee

The special committee evaluated and negotiated the transaction based on the interests of all of the stockholders of Holding other than Kelso and its affiliates. The special committee identified the following as its principal goals in evaluating the merger and financial restructuring against other alternatives:

stopping the accretion of interest on the Holding notes and dividends on the outstanding Holding series A preferred stock and series B preferred stock;

completing a transaction that is fair to the holders (other than Kelso and its affiliates) of each class of Holding's outstanding equity securities;

eliminating the liquidation preference of the Holding notes relative to Holding's capital stock and eliminating the liquidation preference of Holding's preferred stock relative to Holding's common stock; and

simplifying Holding's capital structure.

The special committee unanimously determined that the merger and financial restructuring are fair and in the best interests of Holding and its stockholders, other than Kelso and its affiliates, and recommended that Holding's board of directors adopt and approve the merger agreement and the merger and financial restructuring. The special committee also recommended that the Holding board of directors recommend to the Holding stockholders that they approve and adopt the merger agreement and the merger and financial restructuring. In the course of reaching its decision, the special committee consulted with Holding's management, the special committee's legal counsel and financial advisor, and Holding's benefits committee, its legal counsel and its financial advisor, and considered the following material factors:

1. The information provided to the special committee and its financial advisor as to our financial condition, future prospects and available alternatives, including:

concerns about the long-term ability of Holding to service the accreting interest on the Holding notes and accreting dividends on the series A preferred stock and series B preferred stock based on the cyclical nature of the industry and management's financial projections;

concerns that current economic conditions, a robust metals service center industry, record financial results for EMJ and the availability of capital markets for a public offering by EMJ would not continue indefinitely;

concerns about the effect of Holding's capital structure on management's equity incentives and the ability of EMJ to retain its employees;

concerns about the effect that a deterioration in the value of Holding's equity securities could have on the retirement savings of our employees;

concerns about the misalignment of employee incentives because of the differences in the allocation of common stock, series A preferred stock and series B preferred stock among our employees based on historical factors without regard for responsibility or performance; and

the likelihood that delay in taking action to effect changes in our capital structure would likely adversely impact the value of Holding's equity securities.

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2. The agreement to the terms of the amended consent order, the change in the appraised value of Holding's common stock resulting from the change in valuation methodology required by the amended consent order, and the special contribution to the stock bonus plan and the adjustment in the exercise price of the Holding stock options and the number of shares subject to the Holding stock options to offset the effect on the value of the Holding common stock resulting from the change in valuation methodology.
3. The special committee's belief, based on negotiations between the special committee and Kelso and discussions with its financial and legal advisors, that a financial restructuring of Holding and a concurrent public offering of EMJ common stock represents the most attractive currently obtainable value for Holding's preferred and common stockholders as a whole.
4. The special committee's belief, based on its negotiations with Kelso, that KIA IV would not agree to exchange the Holding notes for cash and EMJ common stock and relinquish its rights to accrual of interest and its priority unless the holders of the series A preferred stock and the series B preferred stock also agreed to convert their securities into cash and EMJ common stock and relinquish their corresponding rights to accrual of dividends and their preferences and the terms of the exchange of the Holding notes were no less favorable to KIA IV, as holder of the Holding notes, than the terms provided to the holders of the series A preferred stock and the series B preferred stock.
5. The benefit to the holders of the series A preferred stock, the series B preferred stock and the Holding common stock of converting Holding's accreting indebtedness to cash and common stock and the benefit to the holders of the common stock of converting Holding's accreting series A preferred stock and series B preferred stock to cash and common stock as a result of the merger and financial restructuring.
6. The benefit to the holders of the series A preferred stock, the series B preferred stock and the Holding common stock of eliminating the priority of the Holding notes with respect to the proceeds of a sale or other liquidation, and the benefit to the holders of the Holding common stock of eliminating the priority of the series A preferred stock and the series B preferred stock with respect to the proceeds of a sale or other liquidation.
7. The special committee's belief that no strategic transaction alternative likely to be available now or in the immediate future would result in equal or better compensation to Holding's stockholders, other than Kelso and its affiliates, after providing for the repayment of the Holding notes. This belief was based upon the special committee's financial advisor's review of the most likely potential candidates for a strategic transaction. The advice was based on an assessment of the available financing capacity and apparent or announced strategies of the potential candidates, market multiples in comparable transactions, and the absence of meaningful expressions of interest in EMJ by third parties in the past several years and during the extended period while it has been public knowledge that EMJ has been working to effect a financial restructuring.
8. The increased flexibility of EMJ to pursue capital markets transactions or strategic transactions after consummation of the merger and financial restructuring and the public offering that are not currently available.
9. The fact that the stockholders of EMJ would participate in proportion to the number of shares of EMJ common stock held by them in the proceeds of any strategic transaction after the merger and would no longer be subordinate to and subject to the priority of the Holding notes.
10. The fact that holders of the series A preferred stock and series B preferred stock would receive a portion of their merger consideration in cash and thereby would have the ability to diversify a portion of their investment in the stock bonus plan.
11. The opinion of Wachovia Securities, the financial advisor to the special committee, that as of the date of its opinion, and subject to and based upon assumptions made, procedures followed, matters considered and limitations of the review undertaken, the aggregate consideration to be received by the

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stockholders of Holding, other than Kelso and its affiliates, in connection with the merger pursuant to the merger agreement is fair, from a financial point of view, to such stockholders of Holding.

12. The opinion of Duff & Phelps, the financial advisor to Holding's benefits committee, that as of the date of its opinion, and subject to and based upon assumptions made, procedures followed, matters considered and limitations of the review undertaken, (1) the aggregate consideration to be received by the stock bonus plan in connection with the merger and financial restructuring of Holding and its subsidiaries and the public offering is fair to the stock bonus plan and its participants from a financial point of view, and (2) the consideration to be received by the stock bonus plan pursuant to the merger agreement in exchange for the (a) series A preferred stock, (b) series B preferred stock and (c) Holding common stock, considered independently, in each case, is not less than the respective fair market value of such securities.
13. The historical appraised values of Holding and its equity securities in the annual appraisals prepared for Holding's stock bonus plan, including the most recent appraisal as adjusted by Duff & Phelps to give effect to the change in valuation methodology required by the amended consent order and the valuation analyses prepared by Wachovia Securities in connection with the fairness opinion.
14. The ability of the Holding stockholders (including stock bonus plan participants) who do not support the merger to exercise dissenter's rights under Delaware law.

The special committee also considered that:

As a result of the series A preferred stock and the series B preferred stock being converted into cash and shares of EMJ common stock, former holders of the series A preferred stock and the B preferred stock would no longer be entitled to a fixed dividend or liquidation amount (including upon a deemed liquidation upon a sale or conveyance of, or transfer or sale of substantially all of the assets of, the Company) or other priority over any other class of securityholders;

As a result of the merger and financial restructuring, the former holders of the series A preferred stock would no longer be entitled to a blocking right with respect to certain transactions, including a sale of EMJ to a third party;

The merger and financial restructuring would have the effects of decreasing the percentage of common stock ownership by current holders of Holding common stock, thereby effectively diluting the voting rights of these holders, and terminating the rights of the employee stockholders to designate two directors;

Holders of Holding common stock (more than 90% of which shares are held by the Kelso funds) who had not acquired their Holding common stock at a price based on the old methodology did not receive the benefits of an adjustment to offset the effects of the change in valuation methodology required by the amended consent order; and

The public offering price may be more than, equal to, or less than the fair market value of the shares as determined by the appraisal as of March 31, 2004.

The special committee discussed and determined that the considerations listed above addressed the material information and material factors considered by the special committee in its consideration of the merger, including material factors that support the merger as well as those that may weigh against it, but concluded that, in view of the variety of factors and the amount of information considered, it was not practicable to, and therefore, the special committee did not, specifically make assessments of, quantify or otherwise assign relative weights to the various factors and analyses considered in reaching its determination. The special committee acknowledged that in considering the material factors described above, individual members of the special committee may have given different weight to different factors and it was not necessary that they agree on the weight assigned to various factors. The special committee considered all these factors as a whole and believed the factors

supported its decision to recommend that the Holding board of directors adopt and approve the merger and the merger agreement and that Holding s stockholders approve and adopt the merger and the merger agreement.

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Recommendation of the Board of Directors

Holding's board of directors consists of eight directors, two of whom serve on the special committee, and one of whom joined the board on January 1, 2005 and did not participate in discussions prior to such date. In reporting to Holding's board of directors its determination and recommendations, the special committee, with its legal and financial advisors participating, discussed this transaction and the alternative transactions described in the following paragraph with the other members of Holding's board of directors on several occasions, and discussed the process the special committee underwent to reach its determination that the terms of the merger agreement and the merger and financial restructuring, including the aggregate consideration payable to Holding's stockholders, are fair and in the best interests of Holding and its stockholders, other than Kelso and its affiliates.

Prior to settling on the transaction now under consideration, the special committee and the board of directors of Holding considered and approved a merger and financial restructuring in December 2003 similar to the transaction currently under consideration. That transaction was not completed because of delays arising from the review of the transaction by the DOL and the concerns expressed by the DOL regarding the methodology used to value the common stock of Holding. In the summer of 2004, the special committee and the board of Holding considered another transaction similar to the merger and financial restructuring as originally proposed, except that the transaction would not have been completed until after amending the consent order with the DOL to change the valuation methodology. That transaction did not involve a public offering. The special committee and the Holding board of directors decided to pursue the transaction currently under consideration because the public markets appeared to be available for a public offering of the EMJ common stock and the Holding directors were concerned about problems that might arise from consummating a merger and financial restructuring using an appraised value to establish the value of the EMJ common stock, followed shortly thereafter by a public offering in which the EMJ common stock would be valued differently. The special committee and the Holding board of directors decided that it was preferable to do both transactions concurrently and to use the public offering price to value the EMJ common stock. While the merger and financial restructuring has been under consideration, the special committee and the board of directors of Holding also have considered a capital markets transaction to refinance the Holding notes with high-yield indebtedness that would be publicly traded. The special committee is opposed to such a transaction because they believe it would not benefit the common or preferred stockholders of Holding and it would not eliminate the accretion of interest on the Holding indebtedness and dividends on the Holding preferred stock or the priority of the indebtedness and the preferred stock over the Holding common stock.

Holding's board of directors determined by a unanimous vote that the terms of the merger agreement and the merger and financial restructuring are fair and in the best interests of Holding and its stockholders, other than Kelso and its affiliates. Holding's board of directors considered the following factors in reaching this determination and recommending that its stockholders vote FOR adoption and approval of the merger agreement and the merger and financial restructuring:

1. The unanimous recommendation of the special committee.
2. The opinion of Wachovia Securities, the financial advisor to the special committee, that as of the date of its opinion, and subject to and based upon assumptions made, procedures followed, matters considered and limitations of the review undertaken, the aggregate consideration to be received by the stockholders of Holding, other than Kelso and its affiliates, in connection with the merger pursuant to the merger agreement is fair, from a financial point of view, to such stockholders of Holding.
3. The opinion of Duff & Phelps, the financial advisor to Holding's benefits committee, that as of the date of its opinion, and subject to and based upon assumptions made, procedures followed, matters considered and limitations of the review undertaken, (1) the aggregate consideration to be received by the stock bonus plan in connection with the merger and financial restructuring of Holding and the public offering is fair to the stock bonus plan and its participants from a financial point of view, and (2) the consideration to be received by the stock bonus plan pursuant to the merger agreement in exchange for the (a) series A preferred stock, (b) series B preferred stock and (c) Holding common stock,

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considered independently, in each case, is not less than the respective fair market value of such securities.

4. The board's independent analysis of the factors referred to above as having been taken into account by the special committee.

5. The following additional procedural factors:

the special committee consisted of two directors who are not affiliated with, and were not nominated by, Kelso, but who were appointed by the Holding board of directors to consider and negotiate the transaction;

the special committee retained and was advised by its own independent financial advisor to assist it in evaluating the merger agreement and the merger and financial restructuring and provide it with financial advice and by legal counsel of its choice;

the benefits committee of Holding also retained and was advised by its own legal counsel and independent financial advisor to assist it in evaluating the merger agreement and the merger and financial restructuring on behalf of the stock bonus plan and the holders of each separate class of Holding's stock by the participants in the plan;

the special committee, in consultation with the benefits committee, engaged in extensive negotiations and deliberations in evaluating the merger agreement and the merger and financial restructuring;

the fact that the value of the EMJ common stock for purposes of calculating the merger consideration and the exchange consideration will be determined in a public offering; and

the merger agreement and the merger and financial restructuring must be approved by: (a) a majority of the shares of Holding's common stock and series B preferred stock voting together as a class, excluding the shares of such stock owned by Kelso and its affiliates, and (b) a majority of the shares of series A preferred stock voting separately as a class, excluding the shares of such stock owned by Kelso and its affiliates.

Holding's board of directors discussed and determined that the considerations listed above address the material information and material factors considered by Holding's board of directors in its consideration of the merger, including material factors that support the merger as well as those that may weigh against it, but concluded that in view of the variety of factors and the amount of information considered, it was not practicable to, and therefore, the board of directors did not, specifically make assessments of, quantify or otherwise assign relative weights to the various factors and analyses considered in reaching its determination. Holding's board of directors acknowledged that in considering the material factors described above, individual members of Holding's board of directors may have given different weight to different factors and it was not necessary that they agree on the weight assigned to various factors. Holding's board of directors relied on the experience and expertise of Wachovia Securities, as financial advisor, for quantitative analysis of the financial terms of the merger. The determination was made after collectively considering all of these factors.

Holding's board of directors recommends that our stockholders vote **FOR** the adoption and approval of the merger agreement and the merger and financial restructuring.

In considering the recommendation of Holding's board of directors with respect to the merger agreement and the merger and financial restructuring, you should be aware that some directors and executive officers of Holding have interests in the merger and financial restructuring that are different from, or in addition to, the interests of Holding's stockholders generally. See **Certain Relationships and Related Transactions** beginning on page 153.

Table of Contents**Certain Projections**

In connection with their review of the merger and financial restructuring and the approval of the terms and conditions of the transaction, the Holding board of directors asked management to prepare projections for calendar year 2005 and fiscal year 2006. These projections were updated in February 2005 in connection with the meetings of the benefits committee, the special committee and the board of directors of Holding held on March 3, 2005 to review the merger and financial restructuring. The projections and the updated projections were furnished to the members of Holding's board of directors (which includes affiliates of Kelso) and to Wachovia Securities and Duff & Phelps. These projections were prepared on the assumption that EMJ would continue its business and operations as currently conducted.

The projections were not prepared with a view to public disclosure or compliance with published guidelines of the Commission, the guidelines established by the American Institute of Certified Public Accountants for Prospective Financial Information or United States generally accepted accounting principles, consistently applied, and are included in this proxy statement/prospectus only because such information was provided to Holding's financial advisors and affiliates of certain stockholders of Holding. These projections are forward-looking statements and are based on a number of expectations and assumptions with respect to industry performance, general business and economic conditions and other matters, including those discussed in EMJ's Annual Report on Form 10-K for the fiscal year ended March 31, 2004, under the heading Forward-Looking Statements, and are subject to significant economic and competitive uncertainties and contingencies, many of which are beyond EMJ's and Holding's control. There can be no assurance that the projections will be realized, and actual results may be materially higher or lower than those shown. The inclusion of these projections should not be regarded as an indication that EMJ or Holding, or their respective affiliates or representatives, considered or consider such data to be a reliable prediction of future events. None of EMJ or Holding or any of their respective affiliates or representatives has made or makes any representations to any person regarding the ultimate performance of EMJ compared to the information contained in the projections, and none of them intends to provide any update or revision thereof. See Risk Factors beginning on page 21.

A summary of the key financial projections provided to Wachovia Securities, Duff & Phelps and the Holding board of directors prior to delivery by Wachovia Securities and Duff & Phelps of their fairness opinions on December 16, 2004, is set forth below. The projections do not give effect to the merger and financial restructuring or the public offering.

PROJECTED FINANCIAL INFORMATION OF EMJ

	<u>CY 2005</u>	<u>FY 2006</u>
	<u>Dollars in Thousands</u>	
Revenues	\$ 1,437,198	\$ 1,401,055
Gross Profit	397,059	400,930
Total Expenses	239,819	273,168
Reported EBIT	157,240	127,762

A summary of the updated financial projections provided to Wachovia Securities, Duff & Phelps and the Holding board of directors prior to the meetings on March 3, 2005, is set forth below.

Table of Contents**UPDATED PROJECTED FINANCIAL INFORMATION OF EMJ**

	<u>CY 2005</u>	<u>FY 2006</u>
	Dollars in Thousands	
Revenues	\$ 1,676,173	\$ 1,645,748
Gross Profit	456,383	449,250
Total Expenses	269,933	261,268
Reported EBIT	186,450	187,982

Opinion of Wachovia Capital Markets, LLC to the Special Committee of Earle M. Jorgensen Holding Company, Inc.

On August 25, 2003, the special committee retained Wachovia Securities to act as its financial advisor in connection with a possible financial restructuring of Holding. The special committee selected Wachovia Securities to act as its financial advisor based on Wachovia Securities qualifications, expertise and reputation and its knowledge of Holding's and EMJ's respective business and affairs. On August 20, 2004 and again on December 20, 2004, the special committee extended the engagement of Wachovia Securities to serve as its financial advisor in connection with the revised merger and financial restructuring transaction. On December 16, 2004, the special committee held a meeting, in which Wachovia Securities participated, to evaluate the merger and financial restructuring. At that meeting, Wachovia Securities rendered its oral opinion, confirmed in writing as of December 16, 2004, that, as of the date of its opinion, and subject to and based upon assumptions made, procedures followed, matters considered and limitations of the review undertaken, the aggregate consideration to be received by the stockholders of Holding, other than Kelso and its affiliates, in connection with the merger and financial restructuring pursuant to the merger agreement is fair, from a financial point of view, to such stockholders of Holding.

The full text of Wachovia Securities' opinion, dated as of December 16, 2004, which is attached as Annex F to this proxy statement/prospectus, sets forth, among other things, the assumptions made, procedures followed, matters considered, and limitations of the review undertaken by Wachovia Securities, which are described below. You are urged to, and should, read Wachovia Securities' opinion carefully and in its entirety.

Wachovia Securities' opinion, which is directed to the special committee, addresses only the fairness, from a financial point of view, of the aggregate consideration to be received by the stockholders of Holding, other than Kelso and its affiliates, in connection with the merger and financial restructuring pursuant to the merger agreement.

With the consent of the special committee, Wachovia Securities' opinion did not address Holding's underlying business decision to proceed with or effect the merger and financial restructuring, nor did it constitute a recommendation to any Holding stockholder as to how any stockholder should vote with respect to the merger. Wachovia Securities was neither asked to, nor did it, offer any opinion as to any term of the merger agreement or the form of the merger and financial restructuring, other than as to the fairness, from a financial point of view, as of the date of the opinion and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, of the aggregate consideration to be received by the stockholders of Holding, other than Kelso and its affiliates, in connection with the merger and financial restructuring pursuant to the merger agreement. In rendering its opinion, Wachovia Securities assumed, with the consent of the special committee, that each party to the merger agreement would comply with all the material terms of the merger agreement, including, without limitation, consummation of the transactions contemplated by the exchange agreement.

In arriving at its opinion, Wachovia Securities, among other things:

Reviewed the merger agreement and the exchange agreement, including the financial terms of the merger and the exchange.

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Reviewed the initial filing of the registration statement on Form S-1 (dated October 1, 2004) for the proposed initial public offering and the draft of the second amendment to the registration statement of which this proxy statement/prospectus is a part (dated November 19, 2004) for the proposed merger and financial restructuring.

Reviewed certain business, financial, and other information regarding EMJ that was publicly available.

Reviewed certain business, financial, and other information regarding Holding and its prospects that was furnished to Wachovia Securities by, and that Wachovia Securities has discussed with, the management of Holding.

Reviewed certain business, financial, and other information regarding EMJ and its prospects that was furnished to Wachovia Securities by, and that Wachovia Securities has discussed with, the management of EMJ.

Compared certain business, financial, and other information regarding Holding with similar information regarding certain publicly traded companies that Wachovia Securities deemed relevant.

Compared the proposed financial terms of the merger agreement and the exchange agreement with the financial terms of certain other business combinations and transactions that Wachovia Securities deemed relevant.

Developed discounted cash flow models for Holding based upon management's estimates.

Reviewed the potential pro forma impact of the merger on EMJ's financial statements.

Reviewed the valuation of Holding's capital stock as of March 31, 2003 prepared by Houlihan Lokey Howard & Zukin.

Reviewed the valuation of Holding's capital stock as of March 31, 2004 prepared by Duff & Phelps.

Considered other information, such as financial studies, analyses, and investigations as well as financial, economic and market criteria, that Wachovia Securities deemed relevant.

In connection with its review, Wachovia Securities relied upon the accuracy and completeness of the foregoing financial and other information, and Wachovia Securities did not assume any responsibility for any independent verification of such information. Wachovia Securities relied upon assurances of the management of Holding and EMJ that they were not aware of any facts or circumstances that would make such information about Holding or EMJ inaccurate or misleading. With respect to projections and financial forecasts, Wachovia Securities relied on estimates prepared by management of Holding and EMJ. Wachovia Securities assumed that the projections, financial forecasts, estimates, judgments, and all assumptions expressed by management of Holding and EMJ were reasonably formulated and that they were the best currently available projections, financial forecasts, estimates and judgments of management of Holding and EMJ. Wachovia Securities discussed the projections, financial forecasts, estimates and judgments, as well as the assumptions on which they were based, with management of Holding and EMJ, but Wachovia Securities assumed no responsibility for, and expressed no view of, such projections, financial forecasts, estimates, judgments or the assumptions upon which they were based. In arriving at its opinion, Wachovia Securities did not conduct any physical inspection or assessment of the facilities of EMJ and did not make and was not provided with any evaluations or appraisals of the assets or liabilities of either of Holding or EMJ. Wachovia Securities relied on advice of counsel of Holding as to all legal matters with respect to Holding and the transactions contemplated by the merger agreement.

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In rendering its opinion, Wachovia Securities assumed that the transactions contemplated by the merger agreement and the exchange agreement would be consummated on the terms described in the merger agreement and the exchange agreement, without waiver of any material terms or conditions, and that in the course of obtaining any necessary legal, regulatory or third-party consents or approvals, no restrictions would be imposed that would have a material adverse effect on such transactions or other actions contemplated by the merger agreement.

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The opinion does not address any other aspect of the merger and financial restructuring or any related transaction, nor does the opinion address the merits of the underlying decision by Holding, the special committee or the board of directors of Holding to enter into the merger agreement nor the relative merits of the merger compared with other business strategies that may have been considered by Holding, the special committee and the board of directors of Holding.

Wachovia Securities' opinion is necessarily based on economic, market, financial and other conditions and information that were made available to it and that could be evaluated as of December 16, 2004. Although subsequent developments may affect its opinion, Wachovia Securities does not have any obligation to update, revise or reaffirm its opinion.

The financial analyses summarized below include information presented in tabular format. Wachovia Securities believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analysis, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of Wachovia Securities' financial analyses.

No limitations were imposed by the special committee on the scope of Wachovia Securities' investigation or the procedures to be followed by Wachovia Securities in rendering its opinion. In connection with the preparation and delivery of its opinion, Wachovia Securities performed a variety of financial and comparative analyses, which are described below.

In arriving at its opinion, Wachovia Securities did not ascribe a specific range of value to Holding or EMJ, but rather made its determination on the basis of the multiple financial and comparative analyses described below. In addition, Wachovia Securities did not consider, nor did it express any opinion with respect to, the relative values, rights or priorities of the common stock, series A preferred stock or series B preferred stock of Holding compared to either or both such other class or classes of capital stock.

Summary of Analyses. The following is a summary of the material financial and comparative analyses utilized by Wachovia Securities in arriving at its opinion.

Comparable Public Companies Trading Multiples Analysis. Wachovia Securities compared financial and operating data of Holding to the following selected publicly traded companies in the distribution and value-added processing services industry for metal goods:

A.M. Castle & Co.
Metals USA
Novamerican Steel, Inc.
Olympic Steel, Inc.

Reliance Steel & Aluminum Co.
Russel Metals, Inc.
Ryerson Tull, Inc.
Worthington Industries, Inc.

Utilizing publicly available information for each of the comparable companies, Wachovia Securities calculated, among other things, the multiples, based upon closing stock prices on December 13, 2004, of enterprise value (defined as equity market value plus net debt) to earnings before interest, taxes, depreciation and amortization (EBITDA) for the latest 12 month (LTM) period, and enterprise value to estimated EBITDA for the 12 month periods ending December 31, 2004 (CY2004E EBITDA) and December 31, 2005 (CY2005E EBITDA).

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The high, low and median multiples for the selected comparable companies were as follows:

Enterprise Value to LTM EBITDA(1)

High	7.0x
Low	3.4x
Median	4.1x

(1) The relevant data for A.M. Castle & Co. was not included in this table because it was deemed outside a reasonable range of values.

Enterprise Value to CY2004E EBITDA(1)

High	10.5x
Low	2.9x
Median	4.2x

(1) The relevant data for A.M. Castle & Co., Novamerican Steel, Inc., Olympic Steel, Inc. and Ryerson Tull Inc. were not included in this table. Analyst projections of EBITDA were not available through published sources for these companies.

Enterprise Value to CY 2005E EBITDA(1)

High	9.0x
Low	5.4x
Median	6.2x

(1) The relevant data for A.M. Castle & Co., Novamerican Steel, Inc., Olympic Steel, Inc. and Ryerson Tull Inc. were not included in this table. Analyst projections of EBITDA were not available through published sources for these companies.

Discounted Cash Flow Analysis. Wachovia Securities performed discounted cash flow analyses to estimate a range of present enterprise values, assuming Holding continued to operate as a stand-alone entity. Wachovia Securities determined the range of present values of Holding by calculating the sum of (1) the present value of projected free cash flows of Holding over the four fiscal year period of Holding from 2006 through 2009, (2) the present value of the estimated perpetuity value of Holding in fiscal year 2009, and (3) the cash surrender value of the corporate-owned life insurance assets. In calculating a perpetuity value, Wachovia Securities assumed growth rates ranging from 1% to 5% during the perpetuity period, with particular focus on growth rates between 2% to 4%. The projected free cash flows and Adjusted EBITDA (as defined below) of Holding used by Wachovia Securities in its analysis were reviewed by management. The free cash flows and terminal value were discounted to present value using discount rates (based on the weighted average cost of capital) ranging from 8% to 12%, with particular focus on discount rates between 9% to 11%. Wachovia Securities viewed this range of discount rates as appropriate for companies with the risk characteristics of Holding and was based upon several factors, including Wachovia Securities' knowledge of Holding and the industry in which it operates, the business risks of Holding, and the overall interest rate environment as of December 13, 2004.

Wachovia Securities utilized its discounted cash flow analysis to compute representative ranges of enterprise values for Holding. In computing the representative ranges of the value of the stock held by the stockholders of Holding, other than Kelso and its affiliates, before and after the merger and financial restructuring, including the consummation of the public offering, Wachovia Securities added to its computed representative

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range of enterprise value for Holding the cash surrender value of Holding's company owned life insurance assets, deducted from that total the net debt of both Holding and EMJ, and then gave effect to the respective liquidation preferences of the series A preferred stock and series B preferred stock. Based upon the foregoing, before giving effect to the merger and financial restructuring, including the consummation of the

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public offering, Wachovia Securities determined that Holding had an enterprise value ranging from approximately \$560 million to \$819 million, resulting in a range of multiples of 3.7x to 5.4x to calendar year 2005 estimated Adjusted EBITDA of Holding.

The discounted cash flow analyses of Holding do not necessarily indicate actual values or actual future results and do not purport to reflect the prices at which any securities of Holding may trade at the present or at any time in the future. Discounted cash flow analysis is a widely used valuation methodology, but the results of this methodology are highly dependent on the numerous assumptions that must be made, including earnings growth rates, perpetuity values and discount rates.

Comparable Transactions Analysis. Using publicly available information, Wachovia Securities considered selected transactions in the distribution and value-added processing services industry for metal goods that it deemed to be relevant. Specifically, Wachovia Securities reviewed the following transactions:

Target	Acquiror
Integris Metals Corp.	Ryerson Tull, Inc.
International Steel Group	Ispat International NV
Precision Strip Inc.	Reliance Steel & Aluminum Co.
Delta Tubular Processing	Lone Star Technologies Inc.
Leroux Steel, Inc.	Russel Metals, Inc.
Inland Steel, Inc.	Ryerson Tull, Inc.
Chatham Steel, Corp.	Reliance Steel & Aluminum Co.
Instel Southwest LP	Metals USA, Inc.

Using publicly available information concerning each of the target companies, Wachovia Securities calculated, based upon historical financial information for the latest reported 12 months immediately preceding the announcement of each of the transactions, the following multiples: enterprise value to LTM sales, and enterprise value to LTM EBITDA.

The high, low, median and mean multiples for the selected comparable transactions were as follows:

Enterprise Value to LTM Sales

High	2.1x
Low	0.2x
Median	0.6x
Mean	0.8x

Enterprise Value to LTM EBITDA

High	15.6x
Low	4.2x

Median	7.1x
Mean	8.9x

Wachovia Securities utilized its selected comparable public companies trading multiples, discounted cash flow and comparable transactions analyses to compute representative ranges of enterprise values for Holding. In computing the representative ranges of the value of the stock held by the stockholders of Holding, other than Kelso and its affiliates, before and after the merger and financial restructuring, including the consummation of the initial public offering, Wachovia Securities added to its computed representative range of enterprise value for Holding the cash surrender value of Holding's company owned life insurance assets, deducted from that total the

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net debt of both Holding and EMJ, and then gave effect to the respective liquidation preferences of the series A preferred stock and series B preferred stock. Based upon the foregoing, before giving effect to the merger and financial restructuring, and applying enterprise value multiples of 5.5x to 7.5x to Holding's estimated EBITDA, after deducting net income from the company owned life insurance assets and excluding certain non-recurring charges (the Adjusted EBITDA) for the calendar year ending December 31, 2005 (2005E), Wachovia Securities determined that the total value of the stock of Holding held by stockholders, other than Kelso and its affiliates, ranged from \$149.8 million to \$282.2 million, or 27.4% to 33.1% of Holding's total stockholder value. After giving effect to the merger and financial restructuring, and using the same enterprise value multiples, assuming gross proceeds of \$250 million from the initial public offering and using a 15% discount to EMJ's equity value after the consummation of the initial public offering (as commonly applied by underwriters in initial public offerings), Wachovia Securities determined that the total value of EMJ common stock to be received by the stockholders of Holding, other than Kelso and its affiliates, would range from \$68.5 million to \$181.1 million, or 14.6% to 24.9% of EMJ's total stockholder value.

Wachovia Securities also assessed the potential value of the stock held by the stockholders of Holding, other than Kelso and its affiliates, before and after the merger and financial restructuring, including the consummation of the initial public offering, as of the end of Holding's fiscal years ending March 31, 2006 and March 31, 2007. Wachovia Securities applied a multiple of 5.5x to Adjusted EBITDA for the subsequent 12 month period, respectively, as projected by Holding, to compute the enterprise value of Holding for each such fiscal year. Wachovia Securities added to its computed representative range of enterprise value for Holding the cash surrender value of Holding's company owned life insurance assets, deducted from that total the net debt of both Holding and EMJ, and then gave effect to the respective liquidation preferences of the series A preferred stock and series B preferred stock. The enterprise value as of the end of Holding's fiscal years ending March 31, 2006 and March 31, 2007 declined from the enterprise value of Holding as of September 29, 2004 due to a projected decline in the Adjusted EBITDA over those periods as reflected in Holding's projections.

Based upon the foregoing, before giving effect to the merger and the financial restructuring, Wachovia Securities determined that the total value of Holding common stock to be held by stockholders of Holding, other than Kelso and its affiliates, would decline from \$149.8 million as of September 29, 2004 to \$0.0, or 0.0% of Holding's total stockholder value, as of March 31, 2006 and March 31, 2007. After giving effect to the merger and the financial restructuring, using the same enterprise value multiple and assuming gross proceeds of \$250 million from the initial public offering, Wachovia Securities determined that the total value of EMJ common stock to be received by the stockholders of Holding, other than Kelso and its affiliates, would decline from \$68.5 million as of September 29, 2004 to \$33.7 million as of March 31, 2006 and \$26.3 million as of March 31, 2007, or, in each case, 14.6% of EMJ's total stockholder value. Wachovia Securities compared the values of the EMJ common stock to be held by EMJ stockholders other than Kelso and its affiliates, after giving effect to the merger and financial restructuring as of March 31, 2006 and March 31, 2007, with the total value of Holding common stock and preferred stock to be held by stockholders of Holding, other than Kelso and its affiliates, as of such dates if the merger and the financial restructuring did not occur and determined that the values of the EMJ common stock would be higher as of such dates than the values of the Holding securities.

Updated Analysis

On March 3, 2005, at the request of Holding, Wachovia Securities presented an updated analysis of the value of Holding's common stock to the special committee and the board of directors of Holding.

Wachovia Securities' updated analysis was based on the same methodology as described above, but took into account the current pricing and indicated valuation multiples for the identified comparable public companies, as well as revised financial projections for Holding as provided by management. Other key variables used in Wachovia Securities' analysis, including the number of common and preferred shares outstanding, the number of options outstanding, Holding company debt and preferred stock values, including accruals of interest and dividends, and operating company debt and the book values of all current assets and current liabilities, were

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updated to reflect actual balances as of January 31, 2005, and the cash surrender value of corporate-owned life insurance was updated to reflect actual values as of December 31, 2004. Although accretion of interest and dividends on Holding's subordinated debt, series A preferred stock, and series B preferred stock will be frozen as of September 29, 2004 for purposes of the merger and financial restructuring, for the purpose of its updated analysis Wachovia Securities assumed that such accretion continued through December 31, 2004 to reflect the estimated value of Holding's common stock in the absence of the transaction. This assumption, regarding continued accretion of interest and dividends through December 31, 2004, in the absence of the merger and financial restructuring, had the effect of decreasing the estimated common equity value by approximately \$15.0 million.

Comparable Public Companies Trading Multiples Analysis. Wachovia Securities updated comparable public companies trading multiples analysis was based on the same group of public companies as its prior analysis, but was updated to reflect market pricing and reported financial performance available as of March 1, 2005. Wachovia Securities compared financial and operating data of Holding to the following selected publicly traded companies in the distribution and value-added processing services industry for metal goods:

A.M. Castle & Co.
Metals USA
Novamerican Steel, Inc.
Olympic Steel, Inc.

Reliance Steel & Aluminum Co.
Russel Metals, Inc.
Ryerson Tull, Inc.
Worthington Industries, Inc.

Utilizing publicly available information for each of the comparable companies, Wachovia Securities calculated, among other things, the multiples, based upon closing stock prices on March 1, 2005, of enterprise value (defined as equity market value plus net debt) to earnings before interest, taxes, depreciation and amortization (EBITDA) for the latest 12 month (LTM) period, and enterprise value to estimated EBITDA for the 12 month periods ending December 31, 2005 (CY2005E EBITDA) and December 31, 2006 (CY2006E EBITDA).

The high, low and median multiples for the selected comparable companies were as follows:

Enterprise Value to LTM EBITDA(1)

High	7.6x
Low	3.5x
Median	5.4x

(1) The relevant data for A.M. Castle & Co. was not included in this table because it was deemed outside a reasonable range of values.

Enterprise Value to CY2005E EBITDA(1)

High	6.9x
Low	5.8x
Median	6.0x

(1) The relevant data for A.M. Castle & Co., Novamerican Steel, Inc., Olympic Steel, Inc. and Ryerson Tull Inc. were not included in this table. Analyst projections of EBITDA were not available through published sources for these companies.

Enterprise Value to CY 2006E EBITDA(1)

High	7.4x
Low	5.9x
Median	6.6x

-
- (1) The relevant data for A.M. Castle & Co., Novamerican Steel, Inc., Olympic Steel, Inc., Ryerson Tull, Inc., and Worthington Industries, Inc. were not included in this table. Analyst projections of EBITDA were not available through published sources for these companies.

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Discounted Cash Flow Analysis. Based on the revised financial projections for Holding, and leaving other variables constant (i.e., assumptions regarding discount rates, long-term growth rates, and terminal capitalization multiples), Wachovia Securities determined that Holding had an enterprise value ranging from approximately \$578 million to \$837 million, resulting in a range of multiples of 2.6x to 3.8x to calendar year 2005 estimated Adjusted EBITDA of Holding.

The discounted cash flow analyses of Holding do not necessarily indicate actual values or actual future results and do not purport to reflect the prices at which any securities of Holding may trade at the present or at any time in the future. Discounted cash flow analysis is a widely used valuation methodology, but the results of this methodology are highly dependent on the numerous assumptions that must be made, including earnings growth rates, perpetuity values and discount rates.

Comparable Transactions Analysis. Using publicly available information, Wachovia Securities considered selected transactions in the distribution and value-added processing services industry for metal goods that it deemed to be relevant. Specifically, Wachovia Securities reviewed the following transactions:

Target	Acquiror
Integris Metals Corp.	Ryerson Tull, Inc.
International Steel Group	Ispat International NV
Precision Strip Inc.	Reliance Steel & Aluminum Co.
Delta Tubular Processing	Lone Star Technologies Inc.
Leroux Steel, Inc.	Russel Metals, Inc.
Inland Steel, Inc.	Ryerson Tull, Inc.
Chatham Steel, Corp.	Reliance Steel & Aluminum Co.
Instel Southwest LP	Metals USA, Inc.

Using publicly available information concerning each of the target companies, Wachovia Securities calculated, based upon historical financial information for the latest reported 12 months immediately preceding the announcement of each of the transactions, the following multiples: enterprise value to LTM sales, and enterprise value to LTM EBITDA.

The high, low, median and mean multiples for the selected comparable transactions were as follows:

Enterprise Value to LTM Sales

High	2.1x
Low	0.2x
Median	0.6x
Mean	0.8x

Enterprise Value to LTM EBITDA

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High	15.6x
Low	4.2x
Median	7.1x
Mean	8.9x

Wachovia Securities utilized its selected comparable public companies trading multiples, discounted cash flow and comparable transactions analyses to compute representative ranges of enterprise values for Holding. In computing the representative ranges of the value of the stock held by the stockholders of Holding, other than Kelso and its affiliates, before and after the merger and financial restructuring, including the consummation of

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the initial public offering, Wachovia Securities added to its computed representative range of enterprise value for Holding the cash surrender value of Holding's company owned life insurance assets, deducted from that total the net debt of both Holding and EMJ, and then gave effect to the respective liquidation preferences of the series A preferred stock and series B preferred stock. Based upon the foregoing, before giving effect to the merger and financial restructuring, and applying enterprise value multiples of 4.0x to 6.0x to Holding's estimated EBITDA, after deducting net income from the company owned life insurance assets and excluding certain non-recurring charges (the Adjusted EBITDA) for the calendar year ending December 31, 2005 (2005E), Wachovia Securities determined that the total value of the stock of Holding held by stockholders, other than Kelso and its affiliates, ranged from \$150.9 million to \$343.6 million, or 26.7% to 34.0% of Holding's total stockholder value. After giving effect to the merger and financial restructuring, and using the same enterprise value multiples, assuming gross proceeds of \$250 million from the initial public offering and using a 15% discount to EMJ's equity value after the consummation of the initial public offering (as commonly applied by underwriters in initial public offerings), Wachovia Securities determined that the total value of EMJ common stock to be received by the stockholders of Holding, other than Kelso and its affiliates, would range from \$73.7 million to \$237.6 million, or 15.3% to 27.6% of EMJ's total stockholder value.

Wachovia Securities also assessed the potential value of the stock held by the stockholders of Holding, other than Kelso and its affiliates, before and after the merger and financial restructuring, including the consummation of the initial public offering, as of the end of Holding's fiscal years ending March 31, 2006 and March 31, 2007. Wachovia Securities applied a multiple of 4.0x to Adjusted EBITDA for the subsequent 12 month period, respectively, as projected by Holding, to compute the enterprise value of Holding for each such fiscal year. Wachovia Securities added to its computed representative range of enterprise value for Holding the cash surrender value of Holding's company owned life insurance assets, deducted from that total the net debt of both Holding and EMJ, and then gave effect to the respective liquidation preferences of the series A preferred stock and series B preferred stock. The enterprise value as of the end of Holding's fiscal years ending March 31, 2006 and March 31, 2007 declined from the enterprise value of Holding as of December 31, 2004 due to a projected decline in the Adjusted EBITDA over those periods as reflected in Holding's projections.

Based upon the foregoing, before giving effect to the merger and the financial restructuring, Wachovia Securities determined that the total value of Holding common stock to be held by stockholders of Holding, other than Kelso and its affiliates, would decline from \$150.9 million as of December 31, 2004 to \$0.0, or 0.0% of Holding's total stockholder value, as of March 31, 2006 and March 31, 2007. After giving effect to the merger and the financial restructuring, using the same enterprise value multiple and assuming gross proceeds of \$250 million from the initial public offering, Wachovia Securities determined that the total value of EMJ common stock to be received by the stockholders of Holding, other than Kelso and its affiliates, would decline from \$73.7 million as of December 31, 2004 to \$7.7 million as of March 31, 2006 and \$2.0 million as of March 31, 2007, or, in each case, 15.3% of EMJ's total stockholder value. Wachovia Securities compared the values of the EMJ common stock to be held by EMJ stockholders other than Kelso and its affiliates, after giving effect to the merger and financial restructuring as of March 31, 2006 and March 31, 2007, with the total value of Holding common stock and preferred stock to be held by stockholders of Holding, other than Kelso and its affiliates, as of such dates if the merger and the financial restructuring did not occur and determined that the values of the EMJ common stock would be higher as of such dates than the values of the Holding securities.

Conclusion. In presenting its updated analysis on March 3, 2005, Wachovia Securities did not render an updated opinion as to the fairness of the merger and financial restructuring.

General. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Wachovia Securities did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor.

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In performing its analyses, Wachovia Securities made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond Holding's and EMJ's control. No company, transaction or business used in the analyses described above is identical to Holding or the proposed merger. Any estimates contained in Wachovia Securities' analysis are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by these estimates. The analyses performed were prepared solely as a part of Wachovia Securities' analysis of the fairness, from a financial point of view, as of the date of the opinion and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, of the aggregate consideration to be received by the stockholders of Holding, other than Kelso and its affiliates, in connection with the merger pursuant to the terms of the merger agreement and were conducted in connection with the delivery by Wachovia Securities of its opinion dated as of December 16, 2004, to the special committee.

The consideration to be paid to stockholders of Holding in the merger agreement was determined through negotiations among Holding, EMJ and EMJ Metals LLC, members of their respective senior management teams and their respective advisors, and was approved by the special committee and the board of directors of Holding. Wachovia Securities did not recommend any specific consideration to Holding or that any given consideration constituted the only appropriate consideration for the merger and financial restructuring.

Wachovia Securities' opinion to the special committee was one of the many factors taken into consideration by the special committee and the board of directors of Holding in making their determination to approve the merger. Wachovia Securities' analyses summarized above should not be viewed as determinative of the opinion of the special committee or the board of directors of Holding with respect to Holding's value or of whether the special committee or the board of directors of Holding would have been willing to consider different financial terms for the merger and financial restructuring.

Wachovia Securities is a nationally recognized investment banking and advisory firm and a subsidiary of Wachovia Corporation. Wachovia Securities, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Wachovia Securities sold its limited partner position in Kelso Investment Associates VI, L.P., a Delaware limited partnership, in January 2003 to an investor that is unaffiliated with Wachovia Securities, Holding or EMJ, and Wachovia Securities and its affiliates currently have outstanding loan commitments to several portfolio companies of Kelso. Wachovia Securities and its affiliates (including Wachovia Corporation and its affiliates) have provided and may in the future provide banking services, including, but not limited to, investment banking services, to Holding, EMJ or Kelso and its affiliates for which it has been or will be paid fees. Prior to July 2002, when Wachovia Securities was asked to meet with our senior management and review Holding's capital structure and evaluate strategic alternatives, Wachovia Securities and its various predecessor firms provided advisory services to two companies owned or controlled by Kelso and its affiliates and were paid an investment banking fee in connection with those services. In November 2003, Peebles, Inc., a portfolio company of a Kelso affiliate, engaged Wachovia Securities in connection with its sale to Stage Stores, Inc. and paid Wachovia Securities an investment banking fee upon the closing of that transaction in November 2003.

Holding has paid Wachovia Securities a fee of \$100,000, which represented a non-refundable advisory fee paid to Wachovia Securities upon its acceptance of the engagement. The full amount of this fee became fully earned and payable at the time Wachovia Securities accepted the engagement, and no part of such fee was contingent upon the delivery of a fairness opinion by Wachovia Securities or the approval or consummation of the merger and the exchange. Holding also paid Wachovia Securities an additional non-refundable cash fee of \$75,000 per month (commencing on March 1, 2004) up to the maximum aggregate amount of \$225,000. In addition, Holding paid Wachovia Securities a fee of \$500,000, which represented a non-refundable cash fee paid to Wachovia Securities upon the delivery of its fairness opinion to the special committee. The full amount of this fee became fully earned and payable at the time Wachovia Securities rendered its fairness opinion, and no part of

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such fee was contingent upon the approval or consummation of the merger and the exchange. Holding has also agreed to pay Wachovia Securities an additional fee of approximately \$325,000 for its financial advisory services in connection with the merger and financial restructuring, which additional fee is contingent on the consummation of the merger and financial restructuring. If the merger and financial restructuring is consummated, Wachovia Securities will be entitled to aggregate compensation of \$1,150,000. Holding has also agreed to reimburse Wachovia Securities for its expenses incurred in performing its services and to indemnify Wachovia Securities and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Wachovia Securities or any of its affiliates against certain liabilities and expenses, including certain liabilities under federal securities laws, related to or arising out of Wachovia Securities engagement and any related transactions.

Opinion of Duff & Phelps, LLC to the Benefits Committee and Board of Directors of Earle M. Jorgensen Holding Company, Inc.

On October 1, 2003, Holding's benefits committee retained Duff & Phelps to provide financial advisory services with respect to the proposed transaction and to render an opinion as to the fairness of the proposed transaction, from a financial point of view, to the participants in the stock bonus plan. On December 11, 2003, Duff & Phelps delivered its final presentation and a written opinion letter to the benefits committee in connection with the merger and financial restructuring as originally proposed. Duff & Phelps continued to provide financial advisory services in connection with discussions with the DOL and negotiations with Kelso on a revised merger and financial restructuring. On October 21, 2004, Holding's benefits committee formally extended its retention of Duff & Phelps to provide financial advisory services with respect to the revised merger and financial restructuring transaction and to render an opinion as to the fairness of the revised transaction, from a financial point of view, to the participants in the stock bonus plan.

On December 14, 2004, Duff & Phelps delivered a draft written summary presentation of its underlying analysis to the benefits committee. On December 15, 2004, Duff & Phelps participated in a conference call with the benefits committee to discuss its previously transmitted written presentation and to answer any questions regarding its analysis and conclusions. On December 16, 2004, Duff & Phelps participated in two additional conference calls with the special committee and the board of directors of Holding, also to discuss its previously transmitted written presentation and to answer any questions regarding its analysis and conclusions. On December 16, 2004, Duff & Phelps delivered its final presentation and written opinion letter to the benefits committee stating, in part, that as of December 16, 2004 and based upon and subject to the factors and assumptions set forth in its opinion: (1) the aggregate consideration to be received by the stock bonus plan in connection with the merger and financial restructuring of Holding and its subsidiaries and the public offering is fair to the stock bonus plan and its participants from a financial point of view, and (2) the consideration to be received by the stock bonus plan pursuant to the merger agreement in exchange for the series A preferred stock, series B preferred stock and Holding common stock, considered independently in each case, is not less than the respective fair market value of such securities.

The full text of Duff & Phelps' opinion, dated as of December 16, 2004, which is attached as Annex G to this proxy statement/prospectus, sets forth, among other things, the assumptions made, procedures followed, matters considered, and limitations of the review undertaken by Duff & Phelps, which are described below. You are urged to, and should, read Duff & Phelps' opinion carefully and in its entirety.

In connection with its opinion, Duff & Phelps made such reviews, analyses and inquiries, as it deemed necessary and appropriate under the circumstances. Duff & Phelps' due diligence with regard to the merger and financial restructuring included, but was not limited to, the items summarized below.

Held discussions with the following individuals at EMJ:

Mr. Maurice S. Nelson, Jr., president, chief executive officer and chief operating officer

Mr. R. Neil McCaffery, executive vice president

Mr. William S. Johnson, chief financial officer and vice president

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Subsequent telephonic discussions were held with EMJ management; members of the benefits committee; O Melveny & Meyers, legal counsel to the benefits committee; members of the special committee of Holding's board of directors; Katten Muchin Zavis Rosenman, legal counsel to the special committee; and Wachovia Securities, financial advisor to the special committee;

Visited EMJ's headquarters in Lynwood, California;

Reviewed relevant agreements, including, but not limited to:

Agreement and Plan of Merger and Reorganization (draft dated November 9, 2004);

Exchange Agreement (draft dated November 10, 2004);

Form S-4 Registration Statement, including Amendments thereto (draft dated December 16, 2004);

Amended and Restated Certificate of Incorporation of Earle M. Jorgensen Company;

Stockholders Agreement of Earle M. Jorgensen Company;

Consent Order and Release by and between Elaine L. Chao, Secretary of the United States Department of Labor and EMJ dated January 27, 2003;

Amended Consent Order (draft dated November 17, 2004); and

Lock-Up Agreement (draft dated October 2004);

Reviewed the valuation of Holding capital stock as of March 31, 2003 and March 31, 2004 prepared by Houlihan, Lokey, Howard & Zukin and Duff & Phelps, respectively;

Reviewed EMJ's financial statements and Commission filings, including the annual report on Form 10-K for the years ended March 31, 2001 through 2004 and quarterly reports on Form 10-Q for the periods ended September 29, 2003 and 2004;

Reviewed Holding's audited financial statements for the fiscal years ended March 31, 2001 through 2004;

Reviewed Holding's internal financial statements for the fiscal years ended March 31, 2001 through 2004 and the six-month periods ended September 29, 2003 and 2004;

Reviewed financial projections prepared by EMJ management for the fiscal years ended March 31, 2005 through 2008 and for the calendar year ended December 31, 2005;

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Reviewed and analyzed market trading prices and indicated valuation metrics for comparable public companies;

Reviewed other operating, financial and legal information regarding EMJ and Holding;

Reviewed pertinent economic and industry information; and

Reviewed and prepared other studies, analyses and investigations as Duff & Phelps deemed appropriate.

Duff & Phelps also took into account its assessment of general economic, market and financial conditions, and its experience in securities and business valuation, in general, and with respect to transactions similar to the merger and financial restructuring. In particular, Duff & Phelps did not make any independent evaluation, appraisal or physical inspection of EMJ's or Holding's solvency or of any specific assets or liabilities (contingent or otherwise). Duff & Phelps' opinion should not be construed as a credit rating, solvency opinion, an analysis of EMJ's or Holding's credit worthiness or otherwise as tax advice or as accounting advice. In rendering its opinion, Duff & Phelps relied upon the fact that the benefits committee, EMJ and Holding have been advised by counsel as to all legal matters with respect to the merger and financial restructuring, including whether all procedures required by law to be taken in connection with the merger and financial restructuring have been duly, validly and timely taken; and Duff & Phelps did not make, and assumes no responsibility to make, any representation, or render any opinion, as to any legal matter.

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In preparing its forecasts, performing its analysis and rendering its opinion with respect to the merger and financial restructuring, Duff & Phelps: (1) relied upon the accuracy, completeness, and fair presentation of all information, data, advice, opinions and representations obtained from public sources or provided to it from private sources, including EMJ and Holding management, and did not attempt to independently verify such information, (2) assumed that any estimates, evaluations and projections furnished to Duff & Phelps were reasonably prepared and based upon the last currently available information and good faith judgment of the person furnishing the same, and (3) assumed that the final versions of all documents reviewed by them in draft form conform in all material respects to the drafts reviewed. Duff & Phelps' opinion further assumes that information supplied and representations made by EMJ and Holding management are substantially accurate regarding EMJ, Holding, and the merger and financial restructuring. Neither Holding management nor its board of directors placed any limitations upon Duff & Phelps with respect to the procedures followed or factors considered by Duff & Phelps in rendering its opinion.

In its analysis and in connection with the preparation of its opinion, Duff & Phelps made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the merger and financial restructuring. Duff & Phelps has also assumed that all of the conditions precedent required to implement the merger and financial restructuring will be satisfied and that the merger and financial restructuring will be completed in accordance with the merger agreement that was provided for its review.

The basis and methodology for Duff & Phelps' opinion have been designed specifically for the express purposes of the benefits committee, the special committee and the board of directors and may not translate to any other purposes.

To the extent that any of the foregoing assumptions or any of the facts on which Duff & Phelps' opinion is based proves to be untrue in any material respect, its opinion cannot and should not be relied upon.

Duff & Phelps prepared its opinion effective as of December 16, 2004. The opinion is necessarily based upon market, economic, financial and other conditions as they existed and could be evaluated as of such date, and Duff & Phelps disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion which may come or be brought to the attention of Duff & Phelps after the date hereof.

Duff & Phelps' opinion should not be construed as creating any fiduciary duty on Duff & Phelps' part to any party.

Duff & Phelps' opinion is not a recommendation as to how any stockholder should vote or act with respect to any matters relating to the merger and financial restructuring, or whether to proceed with the merger and financial restructuring or any related transaction, nor does it indicate that the consideration received is the best possible attainable under any circumstances. The decision as to whether to proceed with the merger and financial restructuring or any related transaction may depend on an assessment of factors unrelated to the financial analysis on which Duff & Phelps' opinion is based. As a result, the opinion and presentation of Duff & Phelps was only one of many factors taken into consideration by the benefits committee, the special committee and the board of directors in making their respective determinations with respect to the merger and financial restructuring.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. In addition, the process of preparing a fairness opinion necessarily requires a broad range of subjective judgments with respect to appropriate comparable companies, appropriate multiples of various selected financial data, appropriate discount rates and other financial and other factors. Duff & Phelps made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the merger and financial restructuring. Analyses and estimates of the

values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold.

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In preparing its opinion, Duff & Phelps performed certain financial and comparative analyses summarized in the following paragraphs. Duff & Phelps believes that its analyses must be considered as a whole and that selecting portions of such analyses and the factors it considered, without considering all such analyses and factors, could create an incomplete view of the analyses and the process underlying its opinion. While the conclusions reached in connection with each analysis were considered carefully by Duff & Phelps in arriving at its opinion, Duff & Phelps made various subjective judgments in arriving at its opinion and did not consider it practicable to, nor did it attempt to, assign relative weights to the individual analyses and specific factors considered in reaching its opinion. Although these paragraphs include some information in tabular format, those tables are not intended to stand alone, and must be read together with the full text of each summary and the limitations and qualifications in the opinion.

Duff & Phelps' analysis was comprised of two primary components: (1) an analysis of the probable range of fair market value of Holding's securities on a pre-transaction basis, and (2) an analysis of the fair market value of the consideration to be received by the stock bonus plan assuming the consummation of the merger and financial restructuring.

In its pre-transaction analysis, Duff & Phelps derived a range of enterprise values for EMJ's operations using a discounted cash flow analysis, a comparable public company analysis and a comparable transaction analysis. Each of these analyses is summarized below.

Discounted Cash Flow Analysis. Duff & Phelps performed a discounted cash flow analysis to derive indications of total enterprise value. A discounted cash flow analysis is designed to provide insight into the intrinsic value of a business based on the projected earnings and capital requirements as well as the net present value of projected debt-free cash flows. Duff & Phelps based its discounted cash flow analysis on projections of debt-free cash flows of Holding for the remainder of fiscal 2005 and fiscal years ending March 31, 2006 through 2008. These projections were provided by Holding's management and were not independently verified by Duff & Phelps. In its analysis, Duff & Phelps used discount rates ranging from 10.0% to 11.0% to reflect the overall risk associated with Holding's operations and financial performance. Duff & Phelps calculated a terminal value at the end of 2008 using two methods: a constant growth dividend discount model, which incorporated a range of perpetuity growth rates from 4.5% to 5.5%, and the capitalization of EBITDA method using an EBITDA multiple in the range of 7.5x to 8.5x.

Duff & Phelps' discounted cash flow analysis yielded a total enterprise value for Holding ranging from \$668 million to \$859 million.

Comparable Public Company Analysis. Duff & Phelps' comparable company analysis was based on a selected group of comparable public companies. No company used in this analysis is identical to Holding, and, accordingly, a comparable company analysis involves complex and subjective considerations and judgments concerning differences in financial and operating characteristics of businesses and other factors that affect trading prices of the various companies being compared.

In the selection of comparable public companies, Duff & Phelps used multiple databases to identify domestic public companies that are the most similar to EMJ from an investment perspective. It is unusual that any public company is identical, or a close substitute, for a private company. Typically, however, public companies can be identified which have a similar product line, customer base, or other business attributes which would cause an investor to group the companies in the same broad industry class for investment purposes. Duff & Phelps ultimately included the eleven companies listed below in the comparison group based on their investment risks, products and services offered, and target markets:

A. M. Castle & Co.
Commercial Metals Company
Friedman Industries, Incorporated

Olympic Steel, Inc.
Quanex Corporation
Reliance Steel and Aluminum Co.

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Gibraltar Industries, Inc.
Metals USA, Inc.
Novamerican Steel Inc.

Ryerson Tull, Inc.
Steel Technologies Inc.

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Duff & Phelps then compared selected financial information of Holding with corresponding data of the selected comparable public companies. Duff & Phelps derived valuation multiples based on the ratio of total enterprise value to latest 12 months EBITDA and earnings before interest and taxes (EBIT) and total enterprise value to projected calendar year 2005 EBITDA and EBIT. The table below summarizes the valuation multiples for the eleven comparable public companies:

Company Name	Enterprise Value	Enterprise Value as a Multiple of			
		LTM EBITDA	Projected EBITDA	LTM EBIT	Projected EBIT
A.M. Castle & Co.	\$ 281	3.8x	NA	4.4x	NA
Commercial Metals Company	1,649	4.7	4.4x	5.8	5.4x
Friedman Industries, Incorporated	57	8.7	NA	10.1	NA
Gibraltar Industries, Inc.	942	8.4	7.2	10.7	8.8
Metals USA, Inc.	550	3.8	5.7	3.8	5.8
Novamerican Steel Inc.	397	3.9	NA	4.2	NA
Olympic Steel, Inc.	316	3.5	3.5	3.9	3.9
Quanex Corporation	1,195	8.1	8.0	12.1	12.1
Reliance Steel & Aluminum Co.	1,741	5.2	6.5	6.0	7.9
Ryerson Tull, Inc.	792	2.2	7.9	2.3	10.1
Steel Technologies Inc.	422	5.9	5.1	7.4	6.3
Mean	\$ 758	5.3x	6.1x	6.4x	7.5x
Median	\$ 550	4.7x	6.1x	5.8x	7.1x

Notes:

NA = Not available. Analyst projections of EBITDA and EBIT were not available through published sources for A.M. Castle & Co, Friedman Industries, and Novamerican Steel.

LTM EBITDA and EBIT Multiples have been adjusted for LIFO charges, if any.

Based on an assessment of current valuation multiples and a comparison of Holding with the selected public companies in terms of size, growth, profitability and other relevant quantitative and qualitative factors, Duff & Phelps selected the following ranges of valuation multiples for Holding: 4.5x to 5.0x latest 12 months EBITDA; 5.5x to 6.0x projected calendar year 2005 EBITDA; 5.0x to 5.5x latest 12 months EBIT; and 6.0x to 6.5x projected calendar year 2005 EBIT.

Duff & Phelps then applied the selected valuation multiples to Holding's adjusted EBITDA and EBIT for the twelve months ended September 29, 2004 as well as projected EBITDA and EBIT for calendar year ending December 31, 2005 as provided by management. Both EBITDA and EBIT as reported in Holding's financial statements were adjusted by Duff & Phelps to remove the effect of certain non-recurring expenses, and also to remove the effect of any income and expenses associated with Holding's corporate-owned life insurance, which was accounted for separately in the analysis. In addition, with respect to latest 12 months EBIT and EBITDA, Duff & Phelps made an adjustment to remove LIFO reserve expenses from Holding's income as well as that of the selected comparable companies. The application of selected multiples to the relevant financial measures is summarized in the table below.

(in \$000s)	Representative Level	Selected	Indicated Range of Enterprise Values
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							Range of Valuation Multiples
EBITDA LTM	\$	164,100	×	4.5x	5.0x	=	\$ 738,450 \$820,500
EBITDA Projected Calendar 2005	\$	151,500	×	5.5x	6.0x	=	\$ 833,250 \$909,000
EBIT LTM	\$	152,700	×	5.0x	5.5x	=	\$ 763,500 \$839,850
EBIT Projected Calendar 2005	\$	138,600	×	6.0x	6.5x	=	\$ 831,600 \$900,900

As shown above, Duff & Phelps comparable company analysis yielded a total enterprise value for Holding ranging from \$738 million to \$909 million. Duff & Phelps did not consider any one of these value indications to be any more or less significant than any other indication in arriving at its conclusions.

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Comparable Transaction Analysis. Similar to the comparable public company analysis, Duff & Phelps used multiple databases and resources to identify comparable controlling interest transactions involving companies with similar product lines, customers, or other business attributes. Duff & Phelps identified seven pending or completed comparable transactions for which adequate financial data was available.

The range of valuation multiples identified from the controlling transaction search was not used to directly value Holding. Instead, the range of valuation multiples was examined in conjunction with the discounted cash flow and comparable company analyses to assess the reasonableness of the concluded value of Holding. After consideration of various factors, including differences in business characteristics and company specific profitability, as well as changes in industry-wide conditions since the announcement of the identified transactions, it was Duff & Phelps' opinion that the observed transaction multiples provided reasonable support for its valuation conclusions under the above-described methodologies.

Concluded Range of Enterprise Values - Operations. Based on its discounted cash flow and comparable public company analyses, Duff & Phelps determined that a range of enterprise values from \$715 million to \$860 million was reasonable.

Adjustments to Enterprise Value. To allocate total enterprise value across Holding's preferred and common equity securities, Duff & Phelps reduced its concluded enterprise values by the amount of operating company debt and the September 29, 2004 balance of the Holding debt, net of cash. This resulted in total equity value ranging from \$120.1 million to \$265.1 million. Next, Duff & Phelps added the \$46.2 million cash surrender value of Holding's corporate-owned life insurance policy to arrive at a range of total equity values between \$166.3 million and \$311.3 million, which was then allocated among the series A preferred stock, series B preferred stock and common stock.

Preferred Stock Analysis. In connection with ongoing administration of the stock bonus plan, Duff & Phelps prepared an appraisal of the series A preferred stock as of March 31, 2004. The appraised value as of that date was \$749.42 per share. Duff & Phelps determined that any change in value since March 31, 2004 is solely attributable to the passage of time and the accompanying accretion of additional dividends. Additional accretion at 18% per annum was calculated from March 31, 2004 to September 29, 2004, resulting in a value of \$816.68 per share, or an aggregate value of \$48.98 million based on 59,971 shares issued and outstanding.

Duff & Phelps followed the same methodology in determining the fair market value of the series B preferred stock. However, on September 29, 2004 the cut-off date for dividend accretion under the terms of the merger and financial restructuring dividends on the series B preferred stock were paid by Holding in the form of additional shares of such stock. Because dividends are current as of the cut-off date, Duff & Phelps valued the series B preferred stock at its liquidation preference of \$1,000 per share, or an aggregate value of \$28.72 million based on 28,718 shares issued and outstanding.

Concluded Range of Common Equity Values. Duff & Phelps' determination of common equity value was derived by deducting the aggregate value of series A preferred stock and series B preferred stock from the total equity value. Duff & Phelps also deducted its estimated value of outstanding common stock options. Common stock options were valued in a range from \$6.9 million to \$28.5 million using the Black-Scholes option valuation model. Based on the range of total equity value outlined above, Duff & Phelps determined that the aggregate value of Holding's common equity ranged from \$81.7 to \$205.1 million on a fully diluted basis.

Finally, dividing its concluded fully diluted common equity value by 16.69 million common shares resulted in rounded values ranging from \$5.00 per share to \$12.25 per share on a pre-transaction, fully diluted basis.

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It should be noted that Duff & Phelps' calculation of per share value is based on 16.69 million shares of common stock, which includes 11.25 million shares issued and outstanding, 2.94 million shares underlying warrants, and the special contribution of 2.50 million shares. The special contribution shares were included in this calculation based on Duff & Phelps' understanding that Holding and the DOL will enter into the amended

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consent order, and Holding will commit to making the related special contribution, regardless of whether or not the merger and financial restructuring is completed.

Conclusion

Duff & Phelps' fairness opinion conclusion was based on an assessment of the total consideration to be received for each class of security, and the stock bonus plan as a whole, and a comparison of such consideration with the value of participants' holdings on a pre-transaction basis.

With regard to both classes of Holding preferred stock, holders will receive a combination of cash and EMJ common stock with a total value equal to the September 29, 2004 fair market value of their pre-transaction holdings. Duff & Phelps reasoned that because a portion of the consideration will consist of cash, and because the number of shares of EMJ common stock that will be received as the non-cash portion of the consideration will be determined based on a market price, that total consideration will, by definition, represent market value. Based on the foregoing, as long as the public offering takes place within the size and pricing parameters set forth as conditions to closing, it was Duff & Phelps' opinion that the series A preferred stock and series B preferred stock will receive consideration that is not less than their respective fair market values.

With respect to holders of Holding common stock, the consideration to be received is limited to an exchange for new EMJ common stock. Duff & Phelps further reasoned that if the new EMJ common stock, which will also be sold to the public and used to redeem the Holding notes and preferred stock, were priced too low, then existing Holding common stock holders would be unfairly diluted and the value of their existing holdings would decrease. However, as long as the offering price is determined in the open market and is equal to or greater than \$5.00 per share, then by definition all securities will have been sold and/or exchanged at their fair market value.

Updated Analysis

On March 3, 2005, at the request of Holding, Duff & Phelps presented an updated analysis of the value of Holding's common stock to the benefits committee, the special committee, and the board of directors of Holding.

Duff & Phelps' updated analysis was based on the same methodology as described above, but took into account the current pricing and indicated valuation multiples for the identified comparable public companies, as well as revised financial projections for Holding as provided by management. Other key variables used in Duff & Phelps' analysis, including the number of common and preferred shares outstanding, the number of options outstanding, the cash surrender value of corporate-owned life insurance, Holding company debt and preferred stock values, including accruals of interest and dividends, and operating company debt and the book values of all current assets and current liabilities, were also updated to reflect actual balances as of December 31, 2004. Although accretion of interest and dividends on the Holding notes, series A preferred stock, and series B preferred stock will be frozen as of September 29, 2004 for purposes of the merger and financial restructuring, for the purpose of its updated analysis Duff & Phelps assumed that such accretion continued through December 31, 2004 to reflect the estimated value of Holding's common stock in the absence of the transaction. The assumption regarding continued accretion of interest and dividends through December 31, 2004 had the effect of decreasing the estimated aggregate value of common equity by approximately \$14.5 million, or approximately \$1.00 per share on a fully diluted basis.

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Discounted Cash Flow Analysis. Based on the revised financial projections for Holding, and leaving other variables constant (i.e. assumptions regarding discount rates, long-term growth rates, and terminal capitalization multiples), Duff & Phelps' discounted cash flow analysis yielded a total enterprise value for Holding ranging from \$706 million to \$899 million.

Comparable Public Company Analysis. Duff & Phelps' updated comparable company analysis was based on the same group of public companies as its prior analysis, but was updated to reflect market pricing and reported financial performance available as of February 28, 2005.

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The table below summarizes updated valuation multiples for the selected comparable companies based on the ratio of total enterprise value to latest 12 months EBITDA and earnings before interest and taxes (EBIT) and total enterprise value to projected calendar year 2005 EBITDA and EBIT:

Company Name	Enterprise Value	Enterprise Value as a Multiple of			
		LTM EBITDA	Projected EBITDA	LTM EBIT	Projected EBIT
A.M. Castle & Co.	\$ 355	4.8x	NA	5.5x	NA
Commercial Metals Company	2,635	5.1	5.8	5.9	7.0
Friedman Industries, Incorporated	57	5.1	NA	5.6	NA
Gibraltar Industries, Inc.	1,030	8.8	7.9	11.1	9.8
Metals USA, Inc.	752	4.3	7.6	4.3	7.8
Novamerican Steel Inc.	907	7.2	NA	7.7	NA
Olympic Steel, Inc.	345	3.1	3.9	3.3	4.3
Quanex Corporation	1,554	9.2	5.8	13.0	7.1
Reliance Steel & Aluminum Co.	1,924	4.2	6.9	4.6	8.3
Ryerson Tull, Inc.	866	2.2	8.5	2.3	10.7
Steel Technologies Inc.	531	5.9	6.0	7.1	7.1
Mean	\$ 996	5.4x	6.5x	6.4x	7.8x
Median	\$ 866	5.1x	6.4x	5.6x	7.5x

Notes:

NA = Not available. Analyst projections of EBITDA and EBIT were not available through published sources for A.M. Castle & Co., Friedman Industries and Novamerican Steel.

LTM EBITDA and EBIT Multiples have been adjusted for LIFO charges, if any.

Based on an assessment of current valuation multiples and a comparison of Holding with the selected public companies in terms of size, growth, profitability and other relevant quantitative and qualitative factors, Duff & Phelps selected the following ranges of valuation multiples for Holding: 4.0x to 4.5x latest 12 months EBITDA; 5.0x to 5.5x projected calendar year 2005 EBITDA; 4.5x to 5.0x latest 12 months EBIT; and 5.5x to 6.0x projected calendar year 2005 EBIT.

Duff & Phelps then applied the selected valuation multiples to Holding's adjusted EBITDA and EBIT for the twelve months ended December 31, 2004 as well as projected EBITDA and EBIT for calendar year ending December 31, 2005 as provided by management. As with the prior analysis, both EBITDA and EBIT as reported in Holding's financial statements were adjusted by Duff & Phelps to remove the effect of certain non-recurring expenses, and also to remove the effect of any income and expenses associated with Holding's corporate-owned life insurance, which was accounted for separately in the analysis. With respect to latest 12 months EBIT and EBITDA, Duff & Phelps made an adjustment to remove LIFO reserve expenses from Holding's income as well as that of the selected comparable companies. With respect to Projected Calendar 2005 EBIT and EBITDA, Duff & Phelps did not make any adjustment to remove LIFO reserve expenses from Holding's income or from the income of the selected comparable companies, because such information was not available. The application of selected multiples to the relevant financial measures is summarized in the table below.

(in \$000s)	Representative Level	Selected Range of Valuation Multiples	Indicated Range of Enterprise Values
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EBITDA LTM	\$ 212,600	x	4.00x - 4.50x	=	\$ 850,400 - \$ 956,700
EBITDA Projected Calendar 2005	\$ 189,300	x	5.00x - 5.50x	=	\$ 946,500 - \$1,041,150
EBIT LTM	\$ 201,000	x	4.50x - 5.00x	=	\$ 904,500 - \$1,005,000
EBIT Projected Calendar 2005	\$ 176,000	x	5.50x - 6.00x	=	\$ 972,400 - \$1,060,800

As shown above, Duff & Phelps comparable company analysis yielded a total enterprise value for Holding ranging from \$850 million to \$1.06 billion. Duff & Phelps did not consider any one of these value indications to be any more or less significant than any other indication in arriving at its conclusions.

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Concluded Range of Enterprise Values Operations. Based on its discounted cash flow and comparable public company analyses, Duff & Phelps determined that a range of enterprise values from \$790 million to \$925 million was reasonable.

Adjustments to Enterprise Value. To allocate total enterprise value across Holding's preferred and common equity securities, Duff & Phelps reduced its concluded enterprise values by the amount of operating company debt and Holding debt, net of cash, and added in the cash surrender value of Holding's corporate-owned life insurance policy to arrive at a range of total equity values between \$181 million and \$316 million, which was then allocated among series A preferred stock, series B preferred stock and common stock.

Concluded Range of Common Equity Values. Duff & Phelps' determination of common equity value was derived by deducting the aggregate value of series A preferred stock and series B preferred stock from total equity value. Duff & Phelps also deducted its estimated value of outstanding common stock options. Based on the range of total equity value outlined above, Duff & Phelps determined that the aggregate value of Holding's common equity ranged from \$121 to \$236 million on a fully diluted basis.

Finally, dividing its concluded fully diluted common equity value by 16.63 million common shares resulted in rounded values ranging from \$7.00 per share to \$14.00 per share on a pre-transaction, fully diluted basis. Duff & Phelps rounded its concluded per share value to the nearest whole dollar at both the high and low end of its range. Although in its previous analysis it had rounded both values to the nearest \$0.25 per share, Duff & Phelps determined that rounding to the nearest whole dollar for its updated analysis would be more consistent with the typical manner in which underwriters estimate the price range for, and ultimately price, a company's initial public offering.

Conclusion. In presenting its updated analysis on March 3, 2005, Duff & Phelps did not render an updated opinion as to the fairness of the merger and financial restructuring. However, Duff & Phelps did note that, in its opinion, there had been a material increase in the value of Holding's equity as compared with the concluded range of value in its prior analysis. In addition, Duff & Phelps recommended that the benefits committee consider making its final approval of the merger and financial restructuring subject to a minimum public offering price of \$7.00 per share.

Other

Duff & Phelps is a nationally recognized investment banking firm that is regularly engaged to render financial opinions in connection with mergers and acquisitions, tax matters, ESOP and ERISA matters, corporate planning, and other purposes. Previously, Duff & Phelps has provided Holding with: (1) financial advisory services with respect to Holdings' litigation with the Department of Labor, (2) the appraisal of capital stock for administration of the stock bonus plan, and (3) a fairness opinion in connection with a prior attempt to consummate a merger and financial restructuring.

Holding has paid Duff & Phelps a fee of \$125,000 in connection with the services provided by it under this engagement and \$200,000 in connection with the prior fairness opinion. No portion of Duff & Phelps' fees was contingent upon consummation of the merger and financial restructuring or the conclusion reached by Duff & Phelps in its fairness opinion. Holding has also agreed to reimburse Duff & Phelps for its expenses incurred in performing its services and to indemnify Duff & Phelps and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Duff & Phelps or any of its affiliates against certain liabilities and expenses, including certain liabilities under federal securities laws, related to or arising out of Duff & Phelps' engagement and any related transactions. Additional professional services beyond advising the benefits committee, providing the fairness opinion, and assisting with this proxy statement/prospectus, including the preparation of the updated analysis and the disclosure with respect to such analysis, and the delivery of the updated fairness opinion immediately prior to the special meeting of stockholders, will be billed on an hourly basis at Duff & Phelps' standard rates.

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THE SPECIAL MEETING

Date, Time and Place of the Special Meeting

The special meeting will be held on April 13, 2005, at 10:00 a.m. (Eastern Time) at the offices of Katten Muchin Zavis Rosenman located at 575 Madison Avenue, New York, New York 10022-2585.

Purpose of the Special Meeting

The purpose of the special meeting is to allow the stockholders of Holding to consider and vote on a proposal to adopt the Agreement and Plan of Merger and Reorganization, dated as of December 17, 2004, amended as of January 28, 2005, and further amended as of March 3, 2005, by and among Holding, EMJ, and EMJ Metals LLC, pursuant to which Holding will merge with and into EMJ Metals LLC with EMJ Metals LLC as the survivor, and EMJ will pay cash and issue shares of its common stock in exchange for the capital stock of Holding and the Holding notes. If the merger and financial restructuring is completed, each issued and outstanding share of Holding's common stock will automatically be converted into one share of our common stock, each share of Holding's series A preferred stock will automatically be converted into a combination of cash and shares of our common stock having a value of \$816.68, and each share of Holding's series B preferred stock will automatically be converted into a combination of cash and shares of our common stock having a value of \$1,000.00.

Record Date, Shares Entitled to Vote and Voting Power

Holding's board of directors has fixed the close of business on March 1, 2005 as the record date for determining those stockholders entitled to notice of, and to vote at, the special meeting. Only holders of record on the record date are entitled to notice of, and to vote at, the special meeting. On the record date, there were 57,573 shares of series A preferred stock issued and outstanding, 27,882 shares of series B preferred stock issued and outstanding and 11,197,122 shares of Holding's common stock issued and outstanding.

Stockholders of record on the record date will be entitled to one vote per share of capital stock owned by them. Holders of Holding's common stock and series B preferred stock will vote together as a class on the merger proposal and at any adjournment or postponement of that meeting. Holders of series A preferred stock will vote as a separate class on the merger proposal and at any adjournment or postponement of that meeting.

Quorum and Vote Required

Holding's bylaws require the presence, in person or by duly executed proxy, of holders of a majority of the issued and outstanding shares of (1) Holding's common stock and series B preferred stock, voting together as a class, and (2) Holding's series A preferred stock, voting separately as a class, at the special meeting to constitute a quorum at the special meeting for the merger proposal. For purposes only of determining the presence or absence of a quorum for the merger proposal, Holding intends to count abstentions as present at the special meeting. Abstentions are not, however, counted as votes cast and, therefore, have the same effect as a vote AGAINST the merger.

Under the provisions of Holding's amended and restated certificate of incorporation and the Delaware General Corporation Law, approval of the merger agreement and the merger and financial restructuring requires the affirmative vote of a majority of the issued and outstanding shares of Holding's common stock and series B preferred stock voting together as a class, and a majority of the issued and outstanding shares of Holding's series A preferred stock voting separately as a class. However, because of the substantial ownership of the common stock and series A preferred stock by the Kelso funds and other Kelso affiliates, the merger agreement establishes the following thresholds requiring the affirmative vote of: (a) a majority of the issued and outstanding shares of Holding's common stock and series B preferred stock, voting together as a class, (b) a majority of the issued and outstanding shares of Holding's common stock and series B preferred stock, voting together as a class, but

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excluding the shares of such stock owned by the Kelso funds and other Kelso affiliates, (c) a majority of the issued and outstanding shares of series A preferred stock, voting separately as a class, and (d) a majority of the issued and outstanding shares of series A preferred stock, voting separately as a class, but excluding the shares of such stock owned by the Kelso funds and other Kelso affiliates.

As of the record date, Kelso and its affiliates, including one of our directors, held an aggregate of 8,259,799 shares of Holding common stock, which represented 73.8% of the issued and outstanding shares of Holding common stock and 73.6% of the issued and outstanding shares of Holding common stock and series B preferred stock, and KIA I held 24,519 shares of the series A preferred stock, which represented 42.6% of Holding s issued and outstanding shares of series A preferred stock. Each of the Kelso funds has agreed to vote all of the Holding capital stock owned by it in favor of the merger and financial restructuring. Therefore, as a practical matter, the determination of whether or not the merger and financial restructuring is approved will turn on the vote of the stockholders other than Kelso and its affiliates.

Participants in Holding s Stock Bonus Plan

Each participant in Holding s stock bonus plan, as a beneficial owner of shares of Holding s capital stock, is entitled to instruct the trustee as to how to vote the capital stock of Holding held in his or her account. For purposes of effecting this vote, each participant will be provided with an instruction card(s), which he or she will be asked to complete and return to the trustee of Holding s stock bonus plan Wells Fargo Bank, N.A., Institutional Trust Group, c/o American Stock Transfer & Trust Company, 59 Maiden Lane, New York, New York 10038, Attention: Proxy Department, by 11:59 p.m. (Eastern time) on April 11, 2005, two days prior to the special meeting, through which he or she will instruct the trustee of the stock bonus plan as to how his or her shares are to be voted. Participants in Holding s stock bonus plan can also instruct the trustee by telephone or on the Internet. If you are a participant in Holding s stock bonus plan, please refer to your instruction card(s). Each participant may instruct the trustee by calling the toll-free telephone number noted on the instruction card(s) (available to participants within the United States only) or by accessing the website for providing instructions via the Internet noted on the instruction card(s). Providing instructions by telephone or the Internet may be accomplished 24 hours a day and will each be accessible until 11:59 p.m. (Eastern Time) on April 11, 2005, two days prior to the special meeting. Telephone and Internet voting allow for confirmation that a participant s instructions have been properly recorded. The telephone and Internet voting procedures are designed to authenticate participants by using individual control numbers. **IF YOU INSTRUCT THE TRUSTEE ON THE TELEPHONE OR ON THE INTERNET, YOU DO NOT NEED TO RETURN YOUR INSTRUCTION CARD(S).**

If a participant s capital stock has been allocated to a rollover account and the participant fails to instruct the trustee as to how those shares are to be voted, the trustee will not vote those shares and the effect will be the same as a vote against the merger and financial restructuring. **IF A PARTICIPANT S CAPITAL STOCK HAS NOT BEEN ALLOCATED TO A ROLLOVER ACCOUNT AND THE PARTICIPANT FAILS TO INSTRUCT THE TRUSTEE AS TO HOW THOSE SHARES ARE TO BE VOTED OR FAILS TO INSTRUCT THE TRUSTEE WITH RESPECT TO ONE OR MORE OF THE PROPOSALS ON THE INSTRUCTION CARD(S), INCLUDING BY SUBMITTING THE DULY EXECUTED INSTRUCTION CARD(S) WITHOUT VOTING INSTRUCTIONS, THE TRUSTEE WILL VOTE THOSE SHARES AT THE DIRECTION OF THE BENEFITS COMMITTEE IN FAVOR OF THE MERGER AND FINANCIAL RESTRUCTURING.** If you instructed the trustee to vote your shares against the merger or financial restructuring pursuant to the terms of the merger agreement by mail, telephone or the Internet, or failed to give instructions on adjournment, the benefits committee will not direct the trustee to vote your shares in favor of the adjournment or postponement of the special stockholders meeting, if an adjournment or postponement is sought to obtain additional votes to approve the merger. At all times, the benefits committee and the trustee shall be subject to fiduciary responsibility rules of ERISA, which supercedes any otherwise applicable state laws. The fiduciary responsibility rules of ERISA require that the benefits committee and the trustee execute their duties for the exclusive benefit of the participants in Holding s stock bonus plan, in a manner that a prudent person would act under the circumstances.

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Proxies, Voting and Revocation

Shares of Holding's capital stock represented at the special meeting by properly executed proxies received prior to, or at, the special meeting, and not revoked, will be voted at the special meeting, and at any adjournment or postponement of that meeting, in accordance with the instructions on those proxies. In addition, stockholders of record, other than participants in Holding's stock bonus plan, as discussed above, can also vote by telephone or on the Internet. If you are a stockholder of record, other than a participant in Holding's stock bonus plan, please refer to your proxy card(s). Each such stockholder may vote by calling the toll-free telephone number noted on the proxy card(s) (available to stockholders within the United States only) or by accessing the website for Internet voting noted on the proxy card(s). Telephone and Internet voting are available 24 hours a day and will each be accessible until 11:59 p.m. (Eastern Time) on April 12, 2005. Telephone and Internet voting allow for confirmation that a stockholder's instructions have been properly recorded. The telephone and Internet voting procedures are designed to authenticate stockholders by using individual control numbers. **IF YOU VOTE BY TELEPHONE OR ON THE INTERNET, YOU DO NOT NEED TO RETURN YOUR PROXY CARD(S).**

If a proxy is duly executed and submitted without voting instructions, the shares of series A preferred stock, series B preferred stock and/or common stock represented by that proxy will be voted **FOR** the approval of the merger agreement and the merger and financial restructuring. Proxies are being solicited on behalf of Holding's board of directors.

For stockholders who do not own their shares through the stock bonus plan, a proxy may be revoked at any time before it is voted at the special meeting by the person who executed it by:

delivering to American Stock & Transfer Company at 59 Maiden Lane, New York, New York 10038, Attention: Proxy Department, a written notice of revocation of a previously-delivered proxy bearing a later date than the proxy;

duly executing, dating and delivering to American Stock & Transfer Company a subsequent proxy; or

attending the special meeting and voting in person. Attendance at the special meeting will not, in and of itself, constitute a revocation of a previously delivered proxy and the giving of a proxy will not affect a stockholder's right to attend the meeting and vote in person.

In addition, if you voted by telephone or the Internet and you desire to revoke your proxy or change your vote, you may revoke your proxy or recast your vote by telephone or via the Internet at any time 24 hours a day until 11:59 p.m. (Eastern time) on April 12, 2005.

Instructions to Stock Bonus Plan Trustee Concerning Change or Revocation

If you are a participant in the stock bonus plan and you desire to revoke or change your instructions to the trustee of the stock bonus plan concerning the voting of your shares held in your stock bonus plan account, you must submit a new instruction card(s) to the trustee c/o American Stock Transfer & Trust Company prior to 11:59 p.m. (Eastern time) on April 11, 2005, two days prior to the date of the special meeting, if you desire to withdraw or change your instructions. To get a new instruction card a participant must call William S. Johnson at (323) 567-1122. If you instructed the trustee of the stock bonus plan concerning the voting of your shares held in your stock bonus plan account by telephone or the Internet and you desire to withdraw or change your instructions, you may revoke or change your instructions prior to 11:59 p.m. (Eastern time) on April 11, 2005, two days prior to the date of the special meeting.

Solicitation of Proxies and Expenses

Neither Holding nor EMJ has engaged the services of a proxy solicitor. We intend to use the services of our employees and others to solicit proxies on behalf of Holding, none of whom will receive additional compensation for so acting. The cost of solicitation of proxies on behalf of Holding will be borne by us.

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MATERIAL PROVISIONS OF THE MERGER AGREEMENT AND EXCHANGE AGREEMENT

Background

The following summary describes the material terms and conditions of the merger agreement and exchange agreement, copies of which are attached as Annex A and Annex B, respectively, to this proxy statement/prospectus and are incorporated herein by reference. The rights and obligations of the parties are governed by the express terms and conditions of the merger agreement and exchange agreement, and not this summary or any other information contained in this proxy statement/prospectus. This summary is qualified in its entirety by reference to the merger agreement and exchange agreement. The stockholders of Holding are encouraged to read the entire merger agreement and exchange agreement as well as this proxy statement/prospectus before making any decisions regarding the merger or the other transactions described herein.

The Merger

The merger agreement provides that Holding will merge with and into EMJ Metals LLC, our wholly owned subsidiary, at the time the merger becomes effective. EMJ Metals LLC will be the entity surviving the merger and will remain our wholly owned subsidiary. The separate existence of Holding will cease following the merger and financial restructuring and all of the rights, privileges, property, powers and franchises of Holding shall vest in EMJ Metals LLC, and all of the debts, liabilities and duties of Holding shall become the debts, liabilities and duties of EMJ Metals LLC. The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware.

Closing of the Merger and Financial Restructuring; Effective Time

The parties intend to complete the merger and financial restructuring as soon as possible after the special meeting and concurrently with the consummation of the public offering, which we expect will be three or four business days after the special meeting. However, because the parties do not know exactly when the public offering will be completed and because they must satisfy other conditions before they can close the merger and financial restructuring, the parties cannot predict exactly when they will close the merger and financial restructuring.

Consideration to be Received in the Merger

Assuming that the public offering price is \$15.00, the mid-point of the range described on the cover of the public offering preliminary prospectus, and net proceeds of the public offering applied to payment of the cash portion of the merger and exchange consideration are \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds" in the public offering preliminary prospectus), at the effective time of the merger and financial restructuring, each share of capital stock of Holding (other than shares held by dissenting stockholders and shares held by us, Holding or EMJ Metals LLC) automatically will be converted into the right to receive the merger consideration as follows:

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each share of common stock of Holding held by any stockholder of Holding will convert into one share of our common stock;

each share of series A preferred stock held by any stockholder of Holding will convert into \$688.21 in cash and 8.56 shares of EMJ's common stock, which merger consideration is equal in the aggregate to \$816.68, which is equal to the appraised value as of March 31, 2004, including accumulated and unpaid dividends from April 1, 2004 through September 29, 2004; and

each share of series B preferred stock held by any stockholder of Holding will convert into \$842.70 in cash and 10.49 shares of EMJ's common stock, which merger consideration is equal in the aggregate to \$1,000, which is equal to the liquidation value of each share of series B preferred stock (all accumulated dividends have been paid in-kind through September 29, 2004).

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Notwithstanding the foregoing, if the underwriters elect to exercise their over-allotment option to purchase additional shares of EMJ common stock in the public offering, the net proceeds received from such a sale will be applied pro rata to the payment of the Holding notes, the series A preferred stock and the series B preferred stock in the proportion that the aggregate value of the respective securities bear to the aggregate value of all of such securities in lieu of the issuance of shares of EMJ common stock pursuant to the merger agreement and the exchange agreement. In order to provide for the possible exercise of the over-allotment option, EMJ is authorized to holdback for a period of 30 days after closing from the merger consideration issued to the holders of the series A preferred stock and the series B preferred stock shares of EMJ common stock sufficient to provide for the exercise of the over-allotment option.

There can be no assurance that the public offering price will be equal to the assumed mid-point of, or within, the range described above, or that the net proceeds of the public offering will be equal to \$279,750,000, as we have assumed. Our board of directors approved the merger agreement and the merger subject to the nonwaivable condition that the public offering price of the EMJ common stock is not less than \$7.00 per share and the public offering results in not less than \$100,000,000 of net proceeds to EMJ, and you should consider the proposed merger and financial restructuring based on the possibility that this worst case scenario could actually occur (in which case you will receive \$246.01 in cash and 81.52 shares of EMJ common stock for each share of Holding series A preferred stock you own and \$301.23 in cash and 99.82 shares of EMJ common stock for each share of Holding series B preferred stock you own).

Holders of capital stock of Holding will have the right under Delaware law to dissent from the merger and receive the fair value of their shares in cash, as described in Appraisal Rights on page 88. All treasury shares held by us or by Holding will be cancelled pursuant to the merger agreement.

Procedures for Exchanging Holding Capital Stock

Immediately after the effective time of the merger and financial restructuring, we will mail a letter of transmittal to Holding's stockholders, which will include detailed instructions on how Holding's stockholders may exchange their share certificates for certificates representing the shares of our common stock and, with respect to preferred stockholders, cash that they are entitled to receive in connection with the merger and financial restructuring. After completion of the merger and financial restructuring, former Holding stockholders who have delivered properly completed letters of transmittal to the exchange/paying agent with their share certificates will be entitled to receive the applicable merger consideration consisting of share certificates representing our common stock and, with respect to preferred stockholders, cash that each such stockholder of Holding is entitled to receive pursuant to the merger agreement. Until surrendered, such certificates evidencing the capital stock of Holding will represent solely the right to receive the per share consideration allocable to the shares of Holding capital stock represented by such certificates. Each surrendered certificate will then be cancelled. Do not mail your stock certificates at this time. If your share certificates have been lost, stolen or destroyed, you will be entitled to the merger consideration only by signing an affidavit to that effect and delivering a reasonable indemnity to protect us against claims by another party related to your share certificates.

Treatment of Options

At the effective time, all options to purchase shares of Holding common stock will be assumed by us. The number of shares of our common stock issuable upon exercise of each assumed option will be equal to the number of shares of Holding common stock issuable upon exercise of such options prior to the effective time of the merger and financial restructuring. The exercise price for such assumed options will be equal to the exercise price in effect for such options prior to the effective time and the provisions concerning the terms and vesting of such options will be substantially the same as such provisions prior to the effective time. See Management Holding Stock Option Plan at page 146.

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Directors and Officers

Our directors and officers holding office immediately prior to the effective time will continue to be our directors and officers following the merger and financial restructuring. The directors and officers of Holding will cease to hold such offices following the merger and financial restructuring.

Representations and Warranties

The merger agreement contains various customary representations and warranties from us and each of Holding and EMJ Metals LLC relating to, among other things: (1) organizational and similar matters; (2) the authorization, execution, delivery and enforceability of the merger agreement and related matters; and (3) (a) the absence of the need (except as specified) for governmental or other filings, permits, authorizations, consents or approvals with respect to the merger agreement and the transactions contemplated thereby, (b) the absence of conflicts under charter documents and bylaws (and/or operating agreement as applicable), (c) required consents and approvals and (d) the absence of violations of laws. In addition, Holding has made representations and warranties with respect to, among other things, (1) details of its capitalization, (2) accuracy and fair presentation of its financial statements, (3) lack of untrue statements or omission of material facts contained in this proxy statement/prospectus, and (4) receipt of and conclusions referenced in opinions of financial advisors to Holding's board of directors and benefits committee. We have made representations and warranties with respect to, among other things, (1) details of our capitalization, (2) documents filed with the Commission and the accuracy of information contained therein and in accompanying financial statements; (3) approvals of Holding, (4) lack of untrue statements or omission of material facts contained in this proxy statement/prospectus, and (5) validity of shares to be issued in connection with the merger and exchange.

The representations and warranties contained in the merger agreement do not survive beyond the effective time.

Conduct of Business Before the Merger

We have agreed with Holding, as follows:

to cooperate to effect the prompt filing of a registration statement (of which this proxy statement/prospectus forms a part) with the Commission, and to the extent it may be necessary, to amend or supplement the registration statement;

to register shares of our common stock in connection with an initial public offering, and to the extent it may be necessary, to amend or supplement the applicable registration statement;

that neither we nor Holding will, with certain limited exceptions, from the date of the merger agreement through the effective time of the merger, (1) amend our respective organizational documents, except for the amendment and restatement of our certificate of incorporation and bylaws in connection with the merger, (2) declare, set aside or pay any dividend or other distribution or payment in cash, stock or property in respect of shares of our respective capital stock, or make any direct or indirect redemption, retirement, purchase or acquisition of any of our respective capital stock, except for dividends, distributions or acquisitions required in connection with existing obligations to repurchase capital stock from our employees or employees of Holding who have terminated their employment pursuant to and in accordance with the terms of the stock bonus plan or the Holding stockholders agreement, or (3)

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issue or agree to issue, any shares of, or rights of any kind to acquire any shares of our respective capital stock;

to use all commercially reasonable efforts to take, or cause to be taken, all actions necessary to consummate the merger and make effective the other transactions contemplated by the merger agreement;

the authorization of the merger agreement and approval of the merger and the transactions contemplated thereby will require the affirmative vote of: (1) a majority of the issued and outstanding shares of

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Holding common stock and series B preferred stock, voting together as a class, (2) a majority of the issued and outstanding shares of Holding common stock and series B preferred stock, voting together as a class, but excluding the shares of such stock owned by the Kelso funds and other Kelso affiliates, (3) a majority of the issued and outstanding shares of Holding series A preferred stock, voting separately as a class and (4) a majority of the issued and outstanding shares of Holding series A preferred stock, voting separately as a class, but excluding the shares of such stock owned by the Kelso funds and other Kelso affiliates. The special meeting of Holding stockholders has been called for the purpose of obtaining the stockholder approvals required to consummate the merger and financial restructuring, including from any person with pass-through voting rights under the stock bonus plan of Holding;

to take any action required to be taken under state securities or blue sky laws in connection with the issuance of our common stock to be issued in the merger and the exchange;

to assume all of the obligations of Holding under the stock bonus plan, the supplemental stock bonus plan and the former employees bonus plan;

to adopt a bonus plan providing for the payment of a taxable bonus to EMJ employees on the closing date who are also participants in the stock bonus plan in the aggregate amount of \$8.5 million;

to cause the shares of common stock to be issued in the merger to be approved for listing on the New York Stock Exchange, subject to official notice of issuance;

to assume all of the options issued by Holding and all related obligations;

to deliver to Holding a copy of each filing made, each notice given and each consent obtained by us during the pre-closing period;

to use commercially reasonable efforts to obtain an amendment, waiver and/or consent of or with respect to our credit agreement providing for any changes necessary in connection with the merger, which was received on December 14, 2004; and

to cause EMJ Metals LLC to be treated (at all relevant times) as a disregarded as an entity separate from the Company within the meaning of Treasury Regulation 301.7701-3(b)(ii), promulgated under the Internal Revenue Code.

Holding has agreed to:

deliver to us a letter identifying all persons and entities who, in the opinion of Holding, may be its affiliates for purposes of Rule 145 under the Securities Act;

use its reasonable best efforts to cause the delivery to us of letter agreements from each person or entity identified in the letter delivered by Holding to us, pursuant to which each such person or entity shall, among other things, covenant and agree not to sell, transfer or otherwise dispose of the common stock received by such person or entity in the merger, except in compliance with the requirements of Rule 145 under the Securities Act; and

promptly after the registration statement of which this proxy statement/prospectus is a part has been declared effective, mail to its stockholders proxy materials, including this proxy statement/ prospectus and the related form of proxy.

Additionally, each party to the merger agreement has agreed to:

make all filings (if any) and give all notices (if any) required to be made and given by such party in connection with the merger and the other transactions contemplated by the merger agreement;

use all reasonable efforts to obtain each consent (if any) required to be obtained in connection with the merger or any of the other transactions contemplated by the merger agreement;

use all reasonable efforts to lift any restraint, injunction or other legal bar to the merger;

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use all reasonable efforts to take all actions to consummate and make the merger and the other transactions contemplated by the merger agreement effective as soon as possible; and

take no action, directly or indirectly, (1) that would prevent the transactions contemplated by the merger agreement and the exchange agreement from qualifying as a tax-free reorganization under section 368 of the Internal Revenue Code or (2) inconsistent with the treatment of (a) the transactions contemplated by the merger agreement and the exchange agreement as a reorganization under section 368 of the Internal Revenue Code or (b) the exchanges contemplated by such agreements as having been effected pursuant to the plan of such reorganization.

Conditions to the Completion of the Merger under the Merger Agreement

Our obligations, and the obligations of Holding and EMJ Metals LLC to complete the merger are subject to the satisfaction or valid waiver of the following conditions:

the approval of the merger agreement and the merger and financial restructuring by the holders of Holding's capital stock;

stockholders of Holding shall not have exercised dissenter's rights with respect to more than 5% of the issued and outstanding shares of any class of the capital stock of Holding;

the absence of any legal prohibition or restraint that would prevent consummation of the merger and financial restructuring;

the registration statement, of which this proxy statement/prospectus is a part of, shall have been declared effective;

absence of any stop order suspending the effectiveness of the registration statement of which this proxy statement/prospectus is a part;

entering of an amended consent order with respect to the litigation brought by the Department of Labor against Holding and the stock bonus plan, which was done on January 3, 2005;

adoption of certain amendments to the stock bonus plan, a supplemental stock bonus plan and a cash bonus plan providing for the special contribution with respect to shares of Holding common stock held by the stock bonus plan, which was done on December 17, 2004;

execution and delivery of a transfer restriction agreement by EMJ and each of its executive officers and district managers;

approval for listing of the shares of EMJ common stock to be issued in the merger and financial restructuring on the New York Stock Exchange, subject to official notice of issuance;

approval by the Holding board of directors of the price range of EMJ common stock set forth on the cover of the public offering preliminary prospectus and ratification and confirmation by the Holding board of its approval of the merger agreement, the exchange agreement and the transactions contemplated thereby, which was done on March 3, 2005;

amendment and restatement of EMJ's certificate of incorporation;

receipt of consent and/or an amendment under our credit agreement, which was received on December 14, 2004;

assumption by EMJ of all obligations of Holding with respect to the outstanding Holding stock options and written notice to each holder of Holding stock options of such assumption;

assumption by EMJ of all obligations of Holding with respect to Holding's stock bonus plan, the supplemental stock bonus plan and a former employees bonus plan;

adoption by EMJ of a new stock incentive plan, which was done on December 16, 2004;

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execution and delivery by EMJ and Mr. Nelson of his retention agreement, which was done on December 17, 2004;

payment of the termination fee by EMJ to Kelso pursuant to the amended financial advisory agreement, which was done on January 10, 2005;

proper filing of the certificate of merger with the Secretary of State of the State of Delaware; and

all material consents and approvals of third parties, including governmental authorities, of the merger and the related transactions being received.

Our obligations and the obligations of EMJ Metals LLC to complete the merger are subject to the satisfaction or valid waiver of the following additional conditions:

the accuracy of all representations and warranties made by Holding in the merger agreement and in any certificate or other writing delivered by Holding pursuant to the merger agreement; and

Holding having performed in all material respects all of its covenants and obligations under the merger agreement to be performed by it at or prior to the effective time.

Holding's obligations to complete the merger are subject to the satisfaction or valid waiver of the following additional conditions:

the accuracy of all representations and warranties made by us and EMJ Metals LLC in the merger agreement and in any certificate or other writing delivered by Holding pursuant to the merger agreement; and

each of us and EMJ Metals LLC having performed in all material respects all of its covenants and obligations under the merger agreement to be performed by it at or prior to the effective time and the Kelso funds having performed all of their respective obligations under the Exchange Agreement.

Holding's obligations to complete the merger are subject to the satisfaction of the following additional conditions, which cannot be waived:

receipt of a tax opinion from Katten Muchin Zavis Rosenman, counsel to Holding, by EMJ;

receipt of an updated fairness opinion from Wachovia Securities stating substantially the same conclusions as to the fairness of the merger and financial restructuring as set forth in the opinion delivered on December 16, 2004, dated as of the date of the pricing of the public offering;

receipt of an updated fairness opinion from Duff & Phelps stating substantially the same conclusions as to the fairness of the merger and financial restructuring as set forth in the opinion delivered on December 16, 2004, dated as of the date of the pricing of the public offering; and

the public offering must close concurrently with the merger, and the price per share in the public offering must not be less than \$7.00 and the amount of the net cash proceeds to EMJ in the public offering must be not less than \$100,000,000.

The obligations of KIA IV to exchange the Holding notes and warrants of Holding are subject to the concurrent consummation of the merger.

Termination of the Merger Agreement

The merger agreement may be terminated by the mutual written consent of us and Holding at any time prior to the merger.

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The merger agreement may be terminated by us or Holding if:

the merger is not consummated by April 30, 2005, subject to certain limited exceptions;

if there is a legal action or proceeding in place permanently restraining, enjoining or otherwise prohibiting the merger; or

if at the special meeting or at any adjournment or postponement thereof, the stockholders of Holding shall have failed to adopt the merger agreement by (1) a majority of the issued and outstanding shares of Holding common stock and series B preferred stock, voting together as a class, (2) a majority of the issued and outstanding shares of Holding common stock and series B preferred stock, voting together as a class, but excluding the shares of such stock owned by the Kelso funds and other Kelso affiliates, (3) a majority of the issued and outstanding shares of series A preferred stock, voting separately as a class, and (4) a majority of the issued and outstanding shares of series A preferred stock, voting separately as a class, but excluding the shares of such stock owned by the Kelso funds and other Kelso affiliates.

The merger agreement may be terminated by us if Holding stockholders have exercised dissenter's rights with respect to more than 5% of the issued and outstanding capital stock of any class of Holding.

Expenses

We will be responsible for and bear all of the costs and expenses of Holding, the Kelso funds and EMJ Metals LLC, including, without limitation, expenses of legal counsel, accountants, brokers, finders and other advisors, incurred in connection with evaluating, negotiating and consummating the proposed transaction incident to the merger agreement.

Amendment or Waiver of the Merger Agreement

The parties may amend any provision of the merger agreement only through an express written instrument signed by all parties or their respective successors and permitted assigns.

The Exchange Agreement

For the purpose of this proxy statement/prospectus, the parties have assumed that the public offering price of the EMJ common stock will be \$15.00, the mid-point of the range described on the cover of the public offering preliminary prospectus, and that the net proceeds of the public offering applied to the payment of the cash portion of the merger and exchange consideration will be \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds" in the public offering preliminary prospectus). The exchange agreement was entered into concurrently with the merger agreement and provides that:

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each of the Kelso funds will vote all of the shares of Holding capital stock owned by them in favor of the merger;

immediately prior to the effective time, KIA IV will exchange the Holding notes for 2,695,862 shares of our common stock and \$216,631,383 in cash based on the approximately \$257,100,000 aggregate principal amount of, and accrued but unpaid interest on the Holding notes as of September 29, 2004; and

immediately prior to the effective time, KIA IV will exchange all of the warrants of Holding for 2,935,956 shares of our common stock based on warrants to purchase 2,937,915 shares of Holding common stock outstanding as of the date of this proxy statement/prospectus.

Notwithstanding the foregoing, if the underwriters elect to exercise their over-allotment option to purchase additional shares of EMJ common stock in the public offering, the net proceeds received from such a sale will be applied pro rata to the payment of the Holding notes, the series A preferred stock and the series B preferred stock in the proportion that the aggregate value of the respective securities bear to the aggregate value of all of such securities in lieu of the issuance of shares of EMJ common stock pursuant to the merger agreement and the exchange agreement.

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In order to provide for the possible exercise of the over-allotment option, EMJ is authorized to holdback for a period of 30 days after closing, from the exchange consideration issued to the holder of the Holding notes, shares of EMJ common stock sufficient to provide for the exercise of the over-allotment option.

The exchange agreement contains various customary representations and warranties from us, Holding and the Kelso funds relating to, among other things: (1) organizational and similar matters; (2) the authorization, execution, delivery and enforceability of the exchange agreement and related matters; and (3) (A) absence of conflicts under charter documents and bylaws (and/or operating agreement and/or partnership agreement, as applicable), (B) absence of conflicts with or violation of laws, (C) absence of any defaults under other agreements as a consequence of becoming a party to the exchange agreement and (D) required consents and approvals having been obtained. In addition, we have also represented and warranted that (1) the common stock we will issue in the exchange will be validly issued, fully paid, non-assessable and free of liens and each recipient of such common stock will be vested with good and marketable title to such common stock and (2) the common stock we will issue in exchange for the Holding notes and warrants will be (A) registered pursuant to an effective registration statement and (B) listed for trading on the New York Stock Exchange under the symbol JOR. Each of the Kelso funds also represented and warranted that (1) it is the record and beneficial owner of Holding's capital stock and Holding notes which are to be exchanged free and clear of any liens or encumbrances of any kind and (2) no broker, finder or investment banker is entitled to receive any fees or commissions in connection with the exchange.

The representations and warranties contained in the exchange agreement do not survive beyond the earlier of the effective time of the merger or, in the case of certain representations and warranties, termination of the merger agreement.

Pursuant to the exchange agreement, Holding, EMJ and its subsidiaries agreed to take no action, directly or indirectly, that (1) would prevent the transactions contemplated by the merger agreement and the exchange agreement from qualifying as a tax-free reorganization under section 368 of the Internal Revenue Code, or (2) would be inconsistent with the treatment of (A) the transactions contemplated by the merger agreement and the exchange agreement as a reorganization under section 368 of the Internal Revenue Code or (B) the exchanges contemplated by such agreements as having been effected pursuant to the plan of such reorganization. EMJ further agreed to cause EMJ Metals LLC to be treated (at all relevant times) as disregarded as an entity separate from EMJ within the meaning of Treasury Regulation 301.7701-3(b)(ii), promulgated under the Internal Revenue Code.

Pursuant to the exchange agreement, KIA IV has agreed that from and after September 29, 2004 through the effective time, accruals of interest on the Holding notes will be suspended, and will not be payable at or after the effective time.

Pursuant to the exchange agreement, each of the Kelso funds has agreed to:

not sell, transfer or otherwise encumber their shares of Holding capital stock and their Holding notes;

take any action that would have the effect of preventing or disabling such stockholder from performing its obligations under the exchange agreement;

solicit or participate in any discussions or negotiations regarding any proposal that might result in a transaction other than the transaction contemplated by the merger agreement;

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waive until the effective time of the merger, or if earlier, the date the merger agreement is terminated pursuant to its terms, its right to declare Holding in default and accelerate payment of all amounts due on the Holding notes on account of the failure to pay any interest or any other amounts due and payable from September 29, 2004 through the effective time of the merger (pertains to KIA IV only);

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use their reasonable best efforts to take all appropriate action and all things necessary to consummate and make effective the merger agreement, the exchange agreement and the merger and financial restructuring; and

vote in favor of the merger agreement and the merger and the other transactions and undertakings contemplated thereby.

Appraisal Rights

Under Section 262 of the Delaware General Corporation Law, any holder of any class or series of Holding capital stock who does not wish to accept the shares of our common stock and cash to be issued pursuant to the merger agreement may dissent from the merger and elect to have the fair value of the stockholder's shares of Holding capital stock (exclusive of any element of value arising from the accomplishment or expectation of the merger) judicially determined and paid to the stockholder in cash, together with a fair rate of interest, if any, provided that the stockholder complies with the provisions of Section 262 of the Delaware General Corporation Law. The following discussion is not a complete statement of the law pertaining to appraisal rights under Delaware law, and is qualified in its entirety by the full text of Section 262, which is provided in its entirety as Annex H to this proxy statement/prospectus. All references in Section 262 to stockholders and in this summary to a stockholder are to the record holder of the shares of capital stock as to which appraisal rights are asserted.

A person having a beneficial interest in shares of capital stock held of record in the name of another person, such as a trustee, broker or nominee (e.g., participants in Holding's stock bonus plan), must act promptly to cause the record holder to follow properly the steps summarized below in a timely manner to perfect appraisal rights. Under Section 262, where a proposed merger is to be submitted for approval at a meeting of stockholders, as in the case of the special meeting, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders entitled to appraisal rights that the appraisal rights are available and include in the notice a copy of Section 262. This proxy statement/prospectus constitutes the notice to the holders of Holding capital stock, and the applicable Delaware law provisions are attached to this proxy statement/prospectus as Annex H. Any stockholder who wishes to exercise appraisal rights or who wishes to preserve the right to do so should review carefully the following discussion and Annex H to this proxy statement/prospectus because failure to comply with the procedures specified in Section 262 in a timely and proper manner will result in the loss of appraisal rights. It is important to note that under Section 262, only the record holder of the shares of Holding capital stock is entitled to assert appraisal rights for the shares of Holding capital stock registered in that Holder's name. Because of the complexity of the procedures for exercising the right to seek appraisal of Holding shares, we recommend that stockholders who consider exercising these rights seek the advice of counsel.

Any holder of any class or series of Holding capital stock wishing to exercise the right to dissent from the merger and demand appraisal under Section 262 (whether on its own behalf or in its capacity as record holder for capital stock beneficially held by another) must satisfy each of the following conditions:

the stockholder must deliver to us a written demand for appraisal of the stockholder's shares before the vote on the merger agreement at the special meeting, which demand will be sufficient if it reasonably informs us of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of the holder's shares specifying the class or series;

the stockholder must not vote his or her shares of Holding capital stock in favor of the merger agreement. Because a proxy which does not contain voting instructions will, unless revoked, be voted in favor of the merger agreement, a stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against the merger agreement or abstain from voting on the merger agreement. A stockholder who owns more than one class of Holding capital stock may vote each class of capital stock differently and may exercise dissenters rights with respect to any class of capital stock for which all of such holders shares are not voted in favor of the merger agreement; and

the stockholder must continuously hold the shares from the date of making the demand through the effective time. Accordingly, a stockholder who is the record holder of shares of Holding capital stock on

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the date the written demand for appraisal is made, but who thereafter transfers the shares prior to the effective time, will lose any right to appraisal in respect of that stockholder's shares.

Neither voting (in person or by proxy) against, abstaining from voting on or failing to vote on the proposal to approve and adopt the merger agreement will constitute a written demand for appraisal within the meaning of Section 262. The written demand for appraisal must be in addition to and separate from any such proxy or vote.

Only a holder of record of shares of Holding capital stock issued and outstanding immediately prior to the effective time is entitled to assert appraisal rights for the shares of Holding capital stock registered in that holder's name. A demand for appraisal should be executed by or on behalf of the stockholder of record, fully and correctly, as that stockholder's name appears in our records, should specify the stockholder's name and mailing address, the number of shares of Holding capital stock owned, including class or series, and that the stockholder intends thereby to demand appraisal of the stockholder's Holding capital stock. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity. If the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all owners. An authorized agent, including one or more joint owners, may execute a demand for appraisal on behalf of a stockholder; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, the agent is duly acting as agent for the owner or owners. A record holder such as a broker who holds shares as nominee for several beneficial owners may exercise appraisal rights with respect to the shares held for one or more beneficial owners, while not exercising these rights with respect to the shares held for other beneficial owners. Participants in Holding's stock bonus plan who wish to exercise appraisal rights must direct the trustee in writing to exercise their appraisal rights with respect to shares held in their stock bonus plan accounts, which direction must be received by the trustee no later than two days prior to the date of the special meeting. The trustee has advised us that it will exercise appraisal rights if directed to do so by a participant. The written demand to the record holder, including the directions to the trustee of the stock bonus plan, should set forth the number and class of shares as to which appraisal is sought. Stockholders who hold their shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by a nominee.

A stockholder who elects to exercise appraisal rights under Section 262 should mail or deliver a written demand to: Earle M. Jorgensen Holding Company, Inc., 10650 Alameda Street, Lynwood, California 90262, Attention: William S. Johnson, Corporate Secretary. A participant in Holding's stock bonus plan who elects to exercise appraisal rights under Section 262 should mail or deliver a written demand to: Wells Fargo Bank, N.A., Institutional Group, 707 Wilshire Boulevard, 10th Floor, MAC #2818-101, Los Angeles, California 90017, Attention Indra Sharma.

Within ten days after the effective time, the surviving company must send a notice as to the effectiveness of the merger to each former stockholder of Holding who has made a written demand for appraisal in accordance with Section 262 and who has not voted in favor of the merger agreement. Within 120 days after the effective time, but not thereafter, either the surviving company or any dissenting stockholder who has complied with the requirements of Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the value of the shares of Holding capital stock held by all dissenting stockholders. We are under no obligation to and have no present intent to file a petition for appraisal. Stockholders seeking to exercise appraisal rights should not assume that the surviving company will file such a petition or that the surviving corporation will initiate any negotiations with respect to the fair value of such shares. Accordingly, stockholders who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods in the manner prescribed in Section 262. Inasmuch as we have no obligation to file such a petition, the failure of a stockholder to do so within the period specified could nullify that stockholder's previous written demand for appraisal. In any event, at any time within 60 days after the effective time (or at any time thereafter with the written consent of Holding), any stockholder who has demanded appraisal has the right to withdraw the demand and to accept payment of the merger consideration. Under the merger agreement, Holding has agreed to

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give us prompt notice of any demands for appraisal received by it, withdrawals of these demands, and any other instruments served in accordance with Delaware law and received by us and relating thereto. We shall direct all negotiations and proceedings with respect to demands for appraisal under Delaware law. We shall not, except with the prior written consent of Holding, make any payment with respect to any demands for appraisal, offer to settle, or settle any such demands.

Within 120 days after the effective time, any stockholder who has complied with the provisions of Section 262 to that point in time will be entitled to receive from the surviving corporation, upon written request, a statement setting forth the aggregate number of shares not voted in favor of the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of these shares. The surviving corporation must mail the statement to the stockholder within ten days of receipt of the request or within ten days after expiration of the period for delivery of demands for appraisals under Section 262, whichever is later.

A stockholder filing a timely petition for appraisal with the Delaware Court of Chancery must deliver a copy to the surviving corporation, which will then be obligated within 20 days to provide the Delaware Court of Chancery with a duly verified list containing the names and addresses of all stockholders who have demanded appraisal of their shares. After notice to these stockholders, the Delaware Court of Chancery is empowered to conduct a hearing on the petition to determine which stockholders are entitled to appraisal rights.

After determining the stockholders entitled to an appraisal, the Delaware Court of Chancery will appraise the fair value of their shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. The costs of the action may be determined by the Delaware Court of Chancery and taxed upon the parties as the Delaware Court of Chancery deems equitable. Upon application of a dissenting stockholder, the Delaware Court of Chancery also may order that all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all of the shares entitled to appraisal. **STOCKHOLDERS CONSIDERING SEEKING APPRAISAL SHOULD BE AWARE THAT THE FAIR VALUE OF THEIR SHARES AS DETERMINED UNDER SECTION 262 COULD BE MORE THAN, THE SAME AS OR LESS THAN THE MERGER CONSIDERATION THEY WOULD RECEIVE UNDER THE MERGER AGREEMENT IF THEY DID NOT SEEK APPRAISAL OF THEIR SHARES.**

In determining fair value and, if applicable, a fair rate of interest, the Delaware Court of Chancery is to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, 457 A.2d 701 (Del. 1983), the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods that are generally considered acceptable in the financial community and otherwise admissible in court should be considered, and that fair price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court stated that, in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger that throw any light on future prospects of the merged corporation. In the *Weinberger* case, the Delaware Supreme Court stated that elements of future value, including the nature of the enterprise, that are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger.

Any stockholder who has duly demanded an appraisal in compliance with Section 262 will not, after the effective time, be entitled to vote the shares subject to the demand for any purpose or be entitled to the payment of dividends or other distributions on those shares (except dividends or other distributions payable to holders of record of shares as of a record date prior to the effective time).

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Any stockholder may withdraw his or her demand for appraisal and accept the merger consideration by delivering to the surviving corporation a written withdrawal of the stockholder's demand for appraisal, except that (1) any such attempt to withdraw made more than 60 days after the effective time will require written approval of the surviving corporation and (2) no appraisal proceeding in the Delaware Court of Chancery shall be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon terms as deemed just by the Delaware Court of Chancery. If the surviving corporation does not approve a stockholder's request to withdraw a demand for appraisal when such approval is required, or if the Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding, the stockholder would be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be lower than the value of the merger consideration.

FAILURE TO COMPLY STRICTLY WITH ALL OF THE PROCEDURES SET FORTH IN SECTION 262 WILL RESULT IN THE LOSS OF A STOCKHOLDER'S STATUTORY APPRAISAL RIGHTS. CONSEQUENTLY, ANY STOCKHOLDER WISHING TO EXERCISE APPRAISAL RIGHTS IS URGED TO CONSULT LEGAL COUNSEL BEFORE ATTEMPTING TO EXERCISE SUCH RIGHTS.

THE COMPANY MAY ELECT TO TERMINATE THE MERGER AGREEMENT AND REFUSE TO COMPLETE THE MERGER AND FINANCIAL RESTRUCTURING IF STOCKHOLDERS HOLDING IN EXCESS OF 5% OF THE ISSUED AND OUTSTANDING SHARES OF ANY CLASS OF HOLDING CAPITAL STOCK PROPERLY EXERCISE THEIR DISSENTER'S RIGHTS.

Federal Securities Law Consequences

The registration statement of which this proxy statement/prospectus is a part does not cover any resales of the EMJ common stock to be received by stockholders upon completion of the merger and financial restructuring, and no person is authorized to make any use of this proxy statement/prospectus in connection with any such resale.

All shares of EMJ common stock received by Holding stockholders in the merger will be freely transferable, without restriction or further registration under the federal securities laws, except that shares of EMJ common stock received by persons who are deemed to be affiliates within the meaning of Rule 144 under the Securities Act of Holding at the time of Holding's special meeting or of EMJ, may be resold by them only in accordance with the volume and manner of sale restrictions of Rule 144 or Rule 145, as applicable, under the Securities Act or as otherwise permitted under the Securities Act. Persons who may be deemed affiliates generally include directors, executive officers and the holders of 10% or more of the outstanding shares of capital stock. Shares of EMJ common stock received by Holding stockholders in the merger may also be subject to restrictions on transfer contained in lock-up agreements, the stock bonus plan and transfer restriction agreements.

TRANSFER RESTRICTIONS

Lock-up Agreements

Certain stockholders have entered into lock-up agreements in connection with the public offering. Holding's stock bonus plan, each of our directors, each of our executive officers, the Kelso funds and each of their affiliates that will own EMJ common stock following the public offering, and certain other stockholders have agreed for a period of 180 days from the date of the public offering preliminary prospectus, subject to limited exceptions, not to (1) offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of EMJ common stock or securities substantially similar to EMJ common stock, including, but not limited to, options or warrants to acquire shares of EMJ

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common stock or securities convertible into or exchangeable or exercisable for any shares of EMJ common stock owned by them; (2) enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic

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consequences of ownership of EMJ common stock, whether any of these transactions are to be settled by delivery of EMJ common stock or other securities, in cash or otherwise; or (3) publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, prior written consent of Credit Suisse First Boston LLC and Goldman, Sachs & Co. However, in the event that either (1) during the last 17 days of the lock-up period, EMJ releases earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the lock-up period, EMJ announces that it will release earnings results during the 16-day period beginning on the last day of the lock-up period, then in either case the expiration of the lock-up will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse First Boston LLC and Goldman, Sachs & Co. waive, in writing, such an extension. Each of Credit Suisse First Boston LLC and Goldman, Sachs & Co. has advised us that it has no present intention to, and has not been advised of any circumstances that would lead it to, grant an early release of this restriction. Credit Suisse First Boston LLC and Goldman, Sachs & Co. may, however, at any time without notice, release all or any portion of the shares subject to these lock-up agreements. Any early waiver of the lock-up agreements which, if granted, could permit sales of a substantial number of shares and could adversely affect the trading price of our shares, may not be accompanied by an advance public announcement by us.

Transfer Restriction Agreements

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

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

Stock Bonus Plan Restrictions

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

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DESCRIPTION OF OUR CAPITAL STOCK, CERTIFICATE OF INCORPORATION AND BYLAWS

The following summary describes the material terms of our capital stock and is subject to, and qualified by, applicable law and the provisions of our certificate of incorporation and bylaws, which are attached hereto as Annexes C and D.

Upon consummation of the merger and financial restructuring and the public offering, our certificate of incorporation will authorize us to issue 90,000,000 shares of capital stock, of which 80,000,000 shares are designated common stock and 10,000,000 shares are designated preferred stock. We currently have 128 shares of common stock outstanding, all of which are held by Holding, and no shares of preferred stock outstanding. Upon consummation of the merger and financial restructuring and the public offering, assuming that the public offering price is \$15.00 per share, the mid-point of the range as described on the cover of the public offering preliminary prospectus, and net proceeds of \$279,750,000 resulting from the sale of 20,000,000 shares of EMJ common stock in the offering as described on the cover of the public offering preliminary prospectus, we will have 37,614,418 shares of common stock and no shares of preferred stock outstanding. Upon consummation of the merger and financial restructuring and the public offering, we will assume the obligations of Holding to issue up to 3,053,668 shares of its common stock under issued and outstanding stock options and will reserve 3,053,668 shares of our common stock for issuance upon the exercise of such options. Upon consummation of the merger and financial restructuring and the public offering, we will assume the obligations of Holding to make a special contribution of up to 2,461,547 additional shares of Holding common stock or common stock equivalents in the aggregate to (1) the stock bonus plan and (2) a supplemental stock bonus plan, and we have reserved 2,461,547 shares of our common stock for issuance in connection with the special contribution.

In addition, EMJ has reserved for issuance under EMJ's new stock incentive plan 1,880,721 shares of common stock, which is equal to 5% of the total number of shares of EMJ common stock issued and outstanding immediately after the consummation of the merger and financial restructuring and the public offering. On the date of the pricing of the public offering, we will grant to certain of our non-officer directors options exercisable for an aggregate of 50,000 shares of our common stock at an exercise price equal to the initial public offering price pursuant to the stock incentive plan. To date, no other awards have been granted under EMJ's new stock incentive plan. (See Management Stock Incentive Plan at page 146.)

Common Stock

Voting Rights

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

Dividends

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

Other Rights

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

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Preferred Stock

Our board of directors, without stockholder approval, may issue preferred stock in one or more series from time to time and fix or alter the designations, relative rights, priorities, preferences, qualifications, limitations and restrictions of the shares of each series, to the extent that those are not fixed in our certificate of incorporation. The rights, preferences, limitations and restrictions of different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions and other matters. Our board may authorize the issuance of preferred stock that ranks senior to our common stock with respect to the payment of dividends and the distribution of assets on liquidation. In addition, our board can fix the limitations and restrictions, if any, upon the payment of dividends on common stock to be effective while any shares of preferred stock are outstanding.

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

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

Issuance of Preferred Stock

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

Advance Notice Requirements

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

Bylaw Amendments

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

Indenture for Our Notes and Domestic Credit Facility

If, in the future, we experience a change of control as defined under the indenture for our ~~3.9%~~ senior secured notes, we are required to make an offer, a change of control offer, to purchase all of our ~~3.9%~~ senior secured notes issued and then outstanding at a purchase price equal to 101% of the principal amount thereof plus accrued interest thereon, as of the date of purchase. Any change of control under the indenture also would constitute a default under our domestic credit facility pursuant to which the lenders under the credit facility could accelerate and require immediate payment of all of the then outstanding obligations under the credit facility. These provisions may delay, defer or inhibit a future acquisition of us.

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Limitation of Liability and Indemnification Matters

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

for any breach of the director's duty of loyalty to us or our stockholders;

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

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

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

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

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

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

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

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

Transfer Agent and Registrar

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

Listing

We have applied to list our common stock on the New York Stock Exchange under the symbol JOR.

Regulation M

EMJ, Holding, their affiliates and certain other persons participating in the merger and financial restructuring and the public offering will be subject to liability under anti-manipulation rules of the federal securities laws and must comply with the requirements of the Securities Act and the Securities Exchange Act of 1934, as amended, or Exchange Act, including Rule 10b-5 and Regulation M under the Exchange Act. These rules and regulations may limit the timing of purchase and sales of shares of EMJ common stock. Under these rules and regulations, persons engaged in the distribution of EMJ common stock, including issuers, selling stockholders and affiliated purchasers participating in the sale or distribution:

may not engage in any stabilization activity in connection with EMJ common stock;

must furnish each broker which offers resale shares covered by this proxy statement/prospectus with the number of copies of this proxy statement/prospectus and any supplement which are required by the broker; and

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may not bid for or purchase any EMJ common stock or attempt to induce any person to purchase any EMJ common stock other than as permitted under the Exchange Act during the applicable restricted period, which generally speaking, begins five days prior to the date of pricing of the EMJ common stock to be issued in the public offering and continues until the person's participation in the distribution is completed.

Stock Bonus Plan

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

Upon consummation of the merger and financial restructuring, shares distributed to a participant in Holding's stock bonus plan pursuant to plan terms will be transferable subject to the following limitations: (1) shares received by any affiliate within the meaning of Rule 144 under the Securities Act may be resold only in transactions permitted by Rule 144 or Rule 145 under the Securities Act or as otherwise permitted under the Securities Act; (2) shares received by certain participants will be subject to restrictions on transfer contained in lock-up agreements entered into by such participants; and (3) shares received by certain participants will be subject to restrictions on transfer contained in transfer restriction agreements entered into by such participants.

With respect to a participant's diversification rights before benefits are distributed under the stock bonus plan, current plan provisions will be maintained and a participant will be able to diversify his or her account under the stock bonus plan after having attained age 55 and completed ten years of service. Generally, under such provisions, participants who meet these requirements can elect to diversify certain accounts invested in Holding common stock into other specified investments during an election period of six consecutive years beginning with the year in which they become first eligible for diversification. For each of the first five years in the election period, diversification may not exceed 25% of the relevant shares (less all shares previously diversified). Diversification in the last year of the election period may not exceed 50% of the relevant shares (less all shares previously diversified). Except for their diversification rights, participants may not currently sell shares in their accounts.

Holding, however, has amended the stock bonus plan to provide that after completion of the public offering shares held in all participant accounts invested in EMJ common stock will become eligible for diversification, as follows: (1) up to 25% of such accounts at any time after the six month anniversary of the closing of the public offering until the 12 month anniversary of the closing of the public offering; (2) up to 50% of such accounts at any time after the 12 month anniversary of the closing of the public offering until the 18 month anniversary of the public offering; (3) up to 75% of such accounts at any time after the 18 month anniversary of the public offering until the 24 month anniversary of the closing of the public offering; and (4) up to 100% of such accounts at any time after the 24 month anniversary of the closing of the public offering. The shares eligible for

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diversification as provided above will be those shares of EMJ common stock allocated to such accounts as of the closing of the public offering, plus additional shares contributed to the stock bonus plan pursuant to the special contribution, which will be eligible for diversification as provided above immediately following the special contributions.

At January 31, 2005, shares of Holding series A preferred stock, Holding series B preferred stock and Holding common stock owned by the plan totaled 32,889, 27,861 and 2,454,119 shares, respectively. Series B preferred stock shares include dividends declared and paid in-kind for each of the first two quarters of fiscal 2005. For the fiscal years ended March 31, 2002, 2003 and 2004 and the nine months ended December 31, 2004, contributions payable to the plan totaled \$2.8 million, \$2.8 million, \$2.8 million and \$2.9 million, respectively. The contributions for fiscal years 2002 and 2003 have been paid in cash and the fiscal 2004 contribution was paid in cash in October 2004.

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

On March 8, 2002, EMJ was sued by the Department of Labor for alleged breaches of fiduciary duty by former members of our benefits committee in relying on the valuations of the Holding common stock prepared by our independent appraiser, which allegedly resulted in prohibited transactions. This matter was settled in January 2003 and an amendment to the related consent order was entered in January 2005. See The Amended Consent Order at page 34 and Business-Legal Proceedings at page 136 for additional information concerning the amended consent order and release and a special contribution of additional shares of common stock to the stock bonus plan with respect to the shares of Holding common stock held by the stock bonus plan.

Pursuant to applicable provisions of ERISA, it is permissible to eliminate any investment alternative available under the stock bonus plan, if appropriate, and therefore the shares of EMJ common stock held by the stock bonus plan may be sold at any time if such shares are eliminated as an investment alternative.

Although neither Holding nor EMJ has expressed any intent to terminate the stock bonus plan, they have the right to terminate or amend the provisions of the plan at any time. In the event of any termination, participants become fully vested to the extent of the balances in the participant's separate account and receives a put option with respect to Holding stock allocated to the participant's account. Upon the closing of the merger and financial restructuring and the public offering, however, participants will no longer have the right to exercise their put options with respect to the common stock allocated to their accounts. Upon consummation of the merger and financial restructuring, (1) the Holding common stock allocated to participants' accounts will be converted into shares of EMJ common stock; (2) the series A preferred stock allocated to participants' accounts will be converted into shares of EMJ common stock and cash; and (3) the Holding series B preferred stock will be converted into shares of EMJ common stock and cash.

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COMPARISON OF SECURITIES AND STOCKHOLDER RIGHTS

Upon completion of the merger and financial restructuring, you will become stockholders of EMJ. Your rights will continue to be governed by Delaware law and will be governed by our amended and restated certificate of incorporation, amended and restated bylaws and stock bonus plan. Because both Holding and EMJ are organized under the laws of Delaware, differences in your rights arise from differences in the respective certificates of incorporation, bylaws, stockholders agreement and stock bonus plan of Holding and EMJ.

The following is a summary of the material differences between the rights of the holders of the equity securities of Holding and the holders of our common stock into which the Holding securities will be converted in the merger and financial restructuring. The summary is not a complete statement of the rights of stockholders of the two companies or a complete description of the specific provisions referred to below. The summary is qualified in its entirety by reference to the governing corporate instruments of Holding and us, which you should read. Copies of the governing corporate instruments of Holding are on file with the Commission, and the forms of our new certificate of incorporation and bylaws are attached hereto as Annexes C and D. To find out where you can get copies of these documents, see the section of this proxy statement/prospectus entitled *Where You Can Find Additional Information About Us* on page 156.

Holding Common Stock

Authorized Capital. 19,500,000 shares, \$.01 par value, are authorized for issuance and 11,197,122 shares are issued and outstanding as of the date of this proxy statement/prospectus. Warrants to purchase 2,937,915 shares of common stock an exercise price of \$0.01 per share and options to purchase 3,053,668 shares of common stock at a weighted average exercise price of \$3.35 per share are issued and outstanding as of the date of this proxy statement/prospectus.

EMJ Common Stock

Authorized Capital. 80,000,000 shares, \$.001 par value, are authorized for issuance and, assuming that the public offering price is \$15.00 per share, the mid-point of the range as described on the cover of the public offering preliminary prospectus dated , 2005, and the sale of 20,000,000 shares of EMJ common stock in the offering as described on the cover of the public offering preliminary prospectus, 37,614,418 shares will be issued and outstanding immediately following the merger and financial restructuring and public offering transactions. On the date of the pricing of the public offering, we will grant to certain of our non-officer directors options exercisable for 50,000 shares of our common stock. In addition, upon consummation of the merger and financial restructuring, options to purchase 3,053,668 shares of common stock at a weighted average exercise price of \$3.35 per share will be assumed and outstanding. Upon consummation of the merger and financial restructuring and the public offering, we will assume the obligations of Holding to make a special contribution of up to 2,461,547 additional shares of Holding common stock or common stock equivalents in the aggregate to (1) the stock bonus plan and (2) a supplemental stock bonus plan, respectively, and we have reserved 2,461,547 shares of our common stock for issuance in connection with the special contribution.

Upon consummation of the merger and financial restructuring and public offering, EMJ will have authorized and reserved for issuance under EMJ's new stock incentive plan shares of EMJ common stock in an aggregate amount equal to 5% of the total number of shares of EMJ common stock issued and outstanding immediately after giving effect to the merger and financial restructuring and the public offering.

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Rank. Holding's common stock is junior to all series of its preferred stock with respect to dividends and rights on liquidation and winding up.

Voting. Each share of Holding's common stock is entitled to one vote per share.

Election of Directors. The Holding stockholders agreement provides for a board of directors consisting of at least seven members, at least two of whom are (1) to be nominated by management stockholders owning a majority of the shares of common stock owned by such management stockholders and (2) reasonably acceptable to Kelso, and five of whom shall be designated by Kelso.

Approval Rights. A majority vote of the holders of common stock and the series B preferred stock, voting together as a class, is required to approve any merger.

Puts and Calls. Holding's stockholders agreement provides that, upon termination of employment, management stockholders have the right to put their shares of common stock to Holding and Holding has the right to purchase their shares of common stock at fair market value; provided that management stockholders do not have a put right on voluntary termination of employment. Fair market value is equal to the most recent appraised value, until six months into a fiscal year, and thereafter, is equal to a value based on the weighted average (based on a 365 or 366 day year) of the previous appraised value and the value determined at the next appraisal. This right terminates upon the earlier of March 24, 2008 or the closing of an initial public offering of Holding's common stock.

Tag and Drag. The Holding stockholders agreement provides that (1) if Kelso and its affiliates sell more than 15% of their aggregate shares of Holding common stock to a third party or parties unaffiliated with Kelso, the employee stockholders may participate pro rata in such transaction on the same terms and conditions as Kelso and its affiliates, and (2) if Kelso and its affiliates sell all of their common stock to a third party or parties unaffiliated with Kelso, such third party may require the employee stockholders to sell their shares to it on the same terms and conditions.

Rank. EMJ's common stock will be the only class of equity securities outstanding.

Voting. Each share of EMJ's common stock is entitled to one vote per share.

Election of Directors. EMJ's amended and restated bylaws provide for a board of directors consisting of not less than three nor more than nine members. Following completion of the financial restructuring and public offering transactions, EMJ's common stock will not be the subject of any stockholders agreement, such as the Holding stockholders agreement. However, EMJ has agreed to enter into a nominating agreement with the Kelso funds that provides that for so long as the Kelso funds own in excess of 20% of our issued and outstanding common stock, the Kelso funds will be entitled to designate two directors, and for so long as the Kelso funds own in excess of 10% of our issued and outstanding common stock, the Kelso funds will be entitled to designate one director, to be included in the slate of directors nominated by us for election to our board of directors in our annual proxy statement.

Approval Rights. A majority vote of the holders of common stock of EMJ will be required to approve any merger.

Puts and Calls. Upon completion of the merger and financial restructuring and the public offering, the Holding stockholders agreement will be terminated along with all put and call provisions contained in that stockholders agreement, and thereafter, shares of EMJ common stock will be publicly-tradable, listed on the New York Stock Exchange and not subject to any put or call provisions.

Tag and Drag. Upon completion of the merger and financial restructuring and the public offering, the Holding stockholders agreement will be terminated, along with all tag and drag provisions contained in that stockholders agreement and thereafter, shares of EMJ common stock will be publicly-tradable, listed on the New York Stock Exchange and not subject to any tag or drag provisions.

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Restrictions on Transfer. If an employee stockholder elects to transfer his shares to a third party, except for a permitted transfer, Holding, the stock bonus plan and other stockholders have a right of first refusal to purchase such common stock on the same terms as the proposed transaction.

Distribution and Put Rights under Stock Bonus Plan. Participants in Holding's stock bonus plan are entitled to receive distribution of the shares they hold through the stock bonus plan upon termination of their employment. If termination is due to retirement, disability, death, plant closure or job elimination, distribution shall occur in a single sum as soon as is practicable on or after March 31st, June 30th, September 30th or December 31st that is either the date of termination or follows the date of termination. If termination occurs for any other reason, distribution shall occur as soon as is practicable after March 31st if that is the date of termination or, if termination is any other date, after the next March 31st following such date of termination. In either case, following a distribution of shares from Holding's stock bonus plan to any participant, the participant has two option periods of 60 days during which the participant can put his shares to us at the appraised value as of the immediately preceding appraisal date. One option period commences on the distribution date and the second option period commences on the date as of which the appraisal for the next plan year is made available to participants.

Restrictions on Transfer. Upon completion of the merger and financial restructuring and the public offering, the shares of EMJ common stock held directly by the former Holding stockholders will not be subject to restrictions on transfer, except for certain lock-up agreements to be entered into by the directors, executive officers and district managers of EMJ and the Kelso funds, certain transfer restriction agreements to be entered into by the executive officers and district managers of EMJ, and securities law restrictions under Rules 144 and 145 under the Securities Act applicable to shares of EMJ common stock held by an affiliate of Holding or EMJ as that term is defined in Rule 144 under the Securities Act. Upon completion of the merger and financial restructuring and the public offering, the shares of EMJ common stock held by the stock bonus plan will be subject to restrictions on transfer contained in the lock-up agreements, provisions of the stock bonus plan which restrict participants from selling EMJ common stock except in connection with a termination of employment or upon satisfaction of certain diversification eligibility requirements and securities law restrictions under Rules 144 and 145 under the Securities Act applicable to shares of EMJ common stock held by an affiliate of Holding or EMJ.

Distribution and Put Rights under Stock Bonus Plan. In connection with the merger and financial restructuring and the public offering, Holding and EMJ will amend the stock bonus plan to eliminate put rights.

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Amendment to the DOL Consent Order and Release. The amendment to the consent order and release between Holding and the DOL, which was effective as of January 3, 2005, adjusted the requirements that shares of common stock contributed to the stock bonus plan as employer contributions in plan years 1994 through 2000 be repurchased at a price that is not less than \$4.25 to reflect the special contribution of Holding common stock. The floor price guaranty was reduced to \$2.15 per share of Holding common stock. In order to offset the change in appraisal methodology, Holding has committed to make special contributions over the next two years to its stock bonus plan, a new supplemental stock bonus plan and a new special cash bonus plan. The aggregate economic effect of the Holding commitment is to issue and/or pay to each stock bonus plan participant 1.0817 additional shares of common stock (or, in certain cases where the participant has left EMJ, its cash equivalent) with respect to each share of common stock now held by the stock bonus plan. The compensating contributions will be made in the form of contributions to the stock bonus plan, the allocation of units to the accounts of certain employees in a supplemental stock bonus plan and the payment of cash bonuses, in each case, in a manner that complies with the requirements of the Internal Revenue Code and ERISA.

Dividend Requirement. None.

Holding series A preferred stock

Authorized Capital. 600,000 shares, \$.01 par value, are authorized for issuance and, as of the date of this proxy statement/prospectus, 57,573 shares are issued and outstanding.

Rank. The series A preferred stock is senior to all classes of common and preferred stock with respect to dividends and rights on liquidation and winding up. The liquidation preference entitles Holders of series A preferred stock to receive cash equal to \$100 per share, plus all accrued but unpaid dividends in the event of a voluntary or involuntary liquidation of Holding. A sale, conveyance, transfer or exchange of substantially all of the property or assets of Holding also triggers this liquidation preference.

Amendment to the DOL Consent Order and Release. Any obligations of Holding outstanding upon completion of the financial restructuring and public offering transactions in connection with the amendment to the DOL consent order and release will be assumed and performed by us in connection with our assumption of the stock bonus plan. Pursuant to the terms of the amended consent order, upon consummation of the merger and financial restructuring, the floor price guaranty terminates, and upon consummation of the public offering, the put rights will be eliminated and the obligation to obtain appraisals of EMJ common stock will cease.

Dividend Requirement. None.

Authorized Capital. Holders of series A preferred stock will receive cash and shares of our common stock in the merger that will have the rights listed above, be publicly-tradable and be listed on the New York Stock Exchange. There will be no shares of series A preferred stock issued and outstanding after the merger and financial restructuring.

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Dividend. The series A preferred stock is entitled to receive cumulative dividends at 18% per annum (this rate was increased from 13% in December 2002), which is payable in cash only. No dividends may be declared unless the corporation possesses sufficient cash and is otherwise legally permitted to pay the dividends in cash. Dividends on the series A preferred stock are payable each December 31st. Dividends have not been declared on the series A preferred stock because Holding is unable to pay the cash portion of the dividends. Undeclared dividends have accumulated through September 29, 2004 and are reflected in the appraised value of the series A preferred stock.

Voting. The series A preferred stock is entitled to one vote per share on all matters for which such shares are entitled to vote.

Election of Directors. The holders of series A preferred stock are currently entitled to appoint one member to Holding's board of directors because dividends have not been timely paid. The holders of series A preferred stock will continue to appoint one director until all cumulative dividends on the series A preferred stock have been paid in full.

Approval Rights. The holders of the series A preferred stock have certain approval rights. Approval of a majority of the holders of series A preferred stock, voting as a single class, is required to approve a merger, if the merger consideration is something other than cash and, if the merger consideration is cash, the cash is less than the liquidation preference plus all accrued but unpaid dividends. A vote of 2/3 of the issued and outstanding shares is required to approve (1) any class of stock having priority over the series A preferred stock, (2) reclassification of any shares of stock into the series A preferred stock, (3) the authorization of any series of security authorized to purchase any of the series A preferred stock and (4) any amendment of our certificate of incorporation that adversely affects the rights of the series A preferred stock. Unanimous approval of the holders of series A preferred stock affected is required to (a) reduce or change the dividend rate, (b) reduce the liquidation value or (c) waive any obligation to pay dividends or make redemption payments. Changes to Holding's stockholders' agreement affecting the rights of holders of the series A preferred stock require approval of (x) Holding and Kelso and (y) the stockholders owning a majority of the series A preferred stock.

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Puts and calls. Holding's stockholders' agreement provides that, upon termination of employment, management stockholders have the right to put their shares of series A preferred stock to Holding and Holding has the right to purchase the shares of series A preferred stock at fair market value. This right terminates upon the earlier of March 24, 2008 or the closing of an initial public offering of Holding's common stock.

Distribution and Put Rights under the Stock Bonus Plan. Participants in Holding's stock bonus plan are entitled to receive distribution of the shares they hold through the stock bonus plan upon termination of their employment. If termination is due to retirement, disability, death, plant closure or job elimination, distribution shall occur in a single sum as soon as is practicable on or after March 31st, June 30th, September 30th or December 31st that is either the date of termination or follows the date of termination. If termination occurs for any other reason, distribution shall occur as soon as is practicable after March 31st if that is the date of termination or if termination is any other date, after the next March 31st following such date of termination. In either case, following a distribution of shares from Holding's stock bonus plan to any participant, the participant has two option periods of 60 days during which the participant can put his shares to us at the appraised value as of the immediately preceding appraisal date. One option period commences on the distribution date and the second option period commences on the date as of which the appraisal for the next plan year is made available to participants.

Redemption. Holding may redeem shares of the series A preferred stock at \$100 per share plus payment of an amount equal to all accrued but unpaid dividends through the redemption date; provided unless the full cumulative dividends on all outstanding shares of series A preferred stock were paid or contemporaneously are declared and paid for all past dividend periods, no series A preferred stock may be redeemed unless all such shares are redeemed.

Holding Series B Preferred Stock

Authorized Capital. 100,000 shares, \$.01 par value, are authorized for issuance and, as of the date of this proxy statement/prospectus, 27,882 shares are issued and outstanding.

Authorized Capital. Holders of series B preferred stock will receive cash and shares of our common stock in the merger that will have the rights listed above, be publicly-tradable and be listed on the New York Stock Exchange. There will be no shares of series B preferred stock issued and outstanding after the completion of the merger and financial restructuring.

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Rank. The series B preferred stock is (1) junior to the series A preferred stock and (2) senior to the common stock, with respect to dividends and rights on liquidation and winding up.

Dividend. The series B preferred stock is entitled to receive cumulative dividends at a variable interest rate per annum. The applicable dividend rate was initially set at 15.5% of the liquidation value per annum, and is adjusted annually on or prior to each June 30 (contemporaneously with and based on the annual appraisal of the series B preferred stock held by the stock bonus plan); provided that the interest rate may not increase or decrease by more than 500 basis points from the initial rate. Dividend payments on the series B preferred stock are payable in cash or in-kind (via the issuance of common stock or series B preferred stock of equivalent value) on each March 31st, June 30th, September 30th and December 31st. Any dividends paid in-kind must be paid and have been paid at the applicable dividend rate plus 150 basis points.

Voting. The series B preferred stock is entitled to one vote per share on all matters for which such shares are entitled to vote.

Election of Directors. No voting rights.

Approval Rights. In the event of any amendment to Holding s certificate of incorporation adversely affecting the interests the holders of the series B preferred stock, the holders of series B preferred stock would be entitled to vote as a class on such amendment (Section 242 of the DGCL). A majority vote of the holders of common stock and the series B preferred stock, voting together as a class is required to approve any merger.

Redemption. The Corporation may redeem shares of the series B preferred stock at \$1,000 per share plus payment of an amount equal to all accrued, but unpaid dividends through the redemption date; provided unless the full cumulative dividends on all series B preferred stock were paid or contemporaneously are declared and paid for all past dividend periods, no series A preferred stock may be redeemed unless all such shares are redeemed.

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Distribution and Put Rights under the Stock Bonus Plan. Participants in Holding s stock bonus plan are entitled to receive distribution of the shares they hold through the stock bonus plan upon termination of their employment. If termination is due to retirement, disability, death, plant closure or job elimination, distribution shall occur in a single sum as soon as is practicable on or after March 31st, June 30th, September 30th or December 31st that is either the date of termination or follows the date of termination. If termination occurs for any other reason, distribution shall occur as soon as is practicable after March 31st if that is the date of termination or if termination is any other date, after the next March 31st following such date of termination. In either case, following a distribution of shares from Holding s stock bonus plan to any participant, the participant has two option periods of 60 days during which the participant can put his shares to us at the appraised value as of the immediately preceding appraisal date. One option period commences on the distribution date and the second option period commences on the date as of which the appraisal for the next plan year is made available to participants.

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ACCOUNTING TREATMENT

For accounting purposes our merger and financial restructuring will be accounted for as a transfer of assets and exchange of shares between entities under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, the financial position and results of operations of Holding will be included in our consolidated financial statements on a historical cost basis.

FEDERAL INCOME TAX CONSEQUENCES

Material Federal Income Tax Consequences

The following summary discusses the material United States federal income tax consequences of the merger to Holding stockholders. The discussion assumes that the Holding stockholders currently hold their Holding stock and will continue to hold that stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code. Further, the discussion does not address all aspects of United States federal income taxation that may be relevant to a particular stockholder in light of his, her or its personal circumstances or to stockholders subject to special treatment under the United States federal income tax laws, including:

insurance companies;

financial institutions or trusts;

dealers in securities or foreign currency;

traders that mark to market;

tax-exempt organizations;

pass-through entities (e.g. partnerships) or persons who hold our common stock through pass-through entities;

stockholders whose functional currency is not the U.S. dollar;

stockholders who hold their shares as part of a hedge, appreciated financial position, straddle or conversion transaction;

stockholders who hold or have acquired the Holding stock or are acquiring EMJ capital stock through the exercise of options or otherwise as compensation or through a tax-qualified retirement plan (other than Holding's stock bonus plan); and

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foreign corporations, foreign partnerships or other foreign entities and individuals who are not citizens or residents of the United States.

Furthermore, this discussion does not consider the potential effects of any state, local or foreign tax laws, and does not consider the effect of the merger for United States federal alternative minimum tax purposes. Accordingly, holders of Holding stock are urged to consult their own tax advisors regarding the specific tax consequences to them of the merger, including the applicability and effect of federal, state, local and foreign income or other tax laws applicable to their particular circumstances.

This discussion is based upon the Internal Revenue Code, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions thereof, all as of the date of hereof, and all of which are subject to change, possibly with retroactive effect. Neither EMJ nor Holding has requested a ruling from the Internal Revenue Service with respect to any of the United States federal income tax consequences of the merger and, as a result, there can be no assurance that the Internal Revenue Service will not disagree with or successfully challenge any of the statements made below. The following discussion is not binding on the IRS.

Statements of law and conclusions of law in this portion of the disclosure are the opinion of Katten Muchin Zavis Rosenman, counsel to Holding, EMJ and EMJ Metals LLC. The opinions of Katten Muchin Zavis Rosenman are predicated on the merger and financial restructuring being consummated in accordance with the

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terms of the merger agreement and the exchange agreement as described herein, and on certain factual representations made by us, including, but not limited to, the representation by us that at least 50% of the value of Holding stock will be exchanged for EMJ stock in the merger. In connection with making this representation, Holding and EMJ evaluated the outcome of the financial restructuring under several scenarios and conditions which are summarized on pages QA-5 through QA-9. As it relates to the tax consequences of certain Holding stockholders, this discussion assumes that the series A preferred stock and series B preferred stock will be converted in the merger to a combination of cash and EMJ common stock. If the merger and financial restructuring are not consummated in accordance with the terms of the merger agreement and the exchange agreement, or if any of the factual representations made by us is inaccurate, incomplete or untrue as of the effective date of the merger and financial restructuring, the tax opinions of Katten Muchin Zavis Rosenman may be invalid and thus cannot be relied upon.

Katten Muchin Zavis Rosenman is of the opinion that the merger will qualify as a reorganization pursuant to section 368(a) of the Internal Revenue Code and that each of Holding and EMJ will be a party to such reorganization within the meaning of section 368(b) of the Internal Revenue Code. Consistent with this characterization, the following discussion summarizes the material United States federal income tax consequences of the merger to the Holding stockholders. If the IRS were to successfully challenge this characterization, certain of the tax consequences would be different.

Holding Common Stock: Receipt of EMJ Common Stock

No Gain or Loss. A Holding common stockholder who, pursuant to the merger, receives only EMJ common stock in exchange for Holding common stock will not recognize any gain or loss upon such exchange, except in respect of cash received in lieu of a fractional share of EMJ common stock (as discussed below under *Cash Received in Lieu of a Fractional Share of EMJ Common Stock*).

Tax Basis. The aggregate adjusted tax basis of EMJ common stock received in the merger generally will be equal to the aggregate adjusted tax basis of the Holding common stock surrendered therefor, decreased by the amount of any tax basis allocable to any fractional share interest in EMJ common stock for which cash is received.

Holding Period. The holding period of EMJ common stock received in the merger will include the period during which the shares of Holding common stock were held.

Series A Preferred Stock and Series B Preferred Stock: Receipt of Cash and EMJ Common Stock

Gain But No Loss. A holder of series A preferred stock or series B preferred stock who, pursuant to the merger, receives a combination of cash and EMJ common stock in exchange for series A preferred stock or series B preferred stock will recognize gain, but not loss in an amount equal to the lesser of:

the amount of gain realized with respect to the series A preferred stock or the series B preferred stock; and

the amount of cash received (other than cash received in lieu of a fractional share of EMJ common stock, which will be taxed as discussed below under *Cash Received in Lieu of a Fractional Share of EMJ Common Stock*).

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The amount of gain realized with respect to the series A preferred stock or series B preferred stock exchanged will equal the excess, if any, of:

the sum of the cash received plus the fair market value of EMJ common stock received, over

the Holding stockholder's adjusted tax basis in such series A preferred stock or series B preferred stock.

For this purpose, gain or loss must be calculated separately for each identifiable block of shares of series A preferred stock or series B preferred stock surrendered in the merger, and a loss realized on one block of shares may not be used to offset a gain realized on another block of shares. Holders are urged to consult their tax

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advisors regarding the manner in which cash and EMJ common stock shares should be allocated among different blocks of their series A preferred stock or series B preferred stock surrendered in the merger.

Any gain recognized will be treated as capital gain unless, as discussed below under *Possible Treatment of Cash as a Dividend*, the receipt of the cash has the effect of the distribution of a dividend for U.S. federal income tax purposes, in which case such gain will be treated as ordinary dividend income to the extent of the Holding stockholder's ratable share of accumulated earnings and profits of EMJ. Any capital gain will be long-term capital gain if, as of the date of the exchange, the holding period for the shares of series A preferred stock or series B preferred stock exchanged is more than one year. Long-term capital gains of individuals are generally eligible for reduced rates of taxation.

Tax Basis. The aggregate adjusted tax basis of EMJ common stock received in the merger generally will be equal to the aggregate adjusted tax basis of the shares of series A preferred stock or series B preferred stock (reduced by the basis in any fractional share of series A preferred stock or series B preferred stock for which cash is received) surrendered in the merger, reduced by the amount of cash received by the holder in the merger (excluding any cash received in lieu of a fractional share), and increased by the amount of gain recognized by the holder in the merger (including any portion of the gain that is treated as a dividend, as described below under *Possible Treatment of Cash as a Dividend*, but excluding any gain or loss resulting from fractional shares).

Holding Period. The holding period of EMJ common stock received in the merger will include the holding period of the series A preferred stock or series B preferred stock exchanged therefor.

Possible Treatment of Cash as a Dividend

For purposes of determining whether the gain recognized by a holder of series A preferred stock or series B preferred stock will be treated as capital gain or a dividend, the holder of series A preferred stock or series B preferred stock is treated as if it first exchanged all of its shares of series A preferred stock or series B preferred stock solely for EMJ common stock and then EMJ immediately redeemed a portion of the EMJ common stock in exchange for the cash the holder actually received (excluding cash received instead of fractional shares). The gain recognized in this deemed redemption will be treated as capital gain, and not as dividend, if the deemed redemption is (1) substantially disproportionate with respect to the holder or (2) not essentially equivalent to a dividend. The exchange would be substantially disproportionate with respect to the holder if the holder's percentage interest in EMJ common stock (including stock constructively owned by the holder) immediately after the merger (1) is less than 50% of the total voting power of EMJ common stock and (2) is less than 80% of the voting power and value, respectively, of what the percentage interest would have been if, hypothetically, the holder had received solely EMJ common stock in exchange for all series A preferred stock or series B preferred stock shares owned or constructively owned by the holder before the merger. In order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must result in a meaningful reduction in the holder's deemed percentage stock ownership of EMJ common stock. The Internal Revenue Service has indicated that a minority stockholder in a publicly traded corporation whose relative stock interest is minimal (an interest of less than 1% of the outstanding existing common stock should satisfy this requirement) and who exercises no control with respect to corporate affairs will experience a meaningful reduction if that stockholder experiences any reduction in its percentage stock ownership in connection with a transaction such as the merger. For purposes of these analyses, the series A preferred stock or series B preferred stock stockholder would be deemed to own any shares of EMJ common stock owned, or constructively owned, by certain persons related to such series A preferred stock or series B preferred stock stockholder or that are subject to an option held by the series A preferred stock or series B preferred stock stockholder or a related person.

These rules are complex and dependent upon the specific factual circumstances particular to each Holding stockholder. Consequently, each holder is urged to consult its tax advisor as to the application of these rules to the particular facts relevant to such holder. Holding stockholders that are corporations are urged to consult their tax advisors regarding their eligibility for a dividends received deduction and the treatment of the dividend as an extraordinary dividend under section 1059 of the Internal Revenue Code. Additionally, holders of series A

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preferred stock and series B preferred stock are urged to consult their tax advisors regarding the potential characterization of merger consideration that is received in respect of dividend arrearages on series A preferred stock or series B preferred stock under section 305 of the Internal Revenue Code and the potential characterization of the merger consideration under section 306 of the Internal Revenue Code. Because the application of sections 1059, 305 and 306 depends in part on a stockholder's particular circumstances, Katten Muchin Zavis Rosenman does not express an opinion as to the application of these provisions to any particular stockholder, and urges Holding stockholders to consult their own tax advisors.

Cash Received in Lieu of a Fractional Share of EMJ Common Stock

A Holding stockholder who receives cash instead of a fractional share of EMJ common stock will generally be treated as having received such fractional share and then as having received such cash in redemption of that fractional share by EMJ. Unless, as to any Holding stockholders, the receipt of cash in lieu of a fractional share of EMJ common stock is essentially equivalent to a dividend, a Holding stockholder who receives cash in lieu of a fractional share of EMJ common stock generally will recognize gain or loss equal to the difference between the amount of cash received and the Holding stockholder's tax basis in such fractional share. Such gain or loss will be long-term capital gain or loss if, as of the date of the exchange, the holding period for such shares is more than one year.

Effect of Possible Alternative Characterization

A successful challenge by the Internal Revenue Service to the reorganization status of the merger could result in significant adverse tax consequences to Holding stockholders. A Holding stockholder would generally recognize taxable gain or loss on each share of Holding stock surrendered equal to the difference between the basis of such share and the fair market value, as of the effective time of the merger, of the EMJ stock plus any cash received in exchange therefor. In such event, a stockholder's aggregate basis in the EMJ common stock received would equal its fair market value, and the stockholder's holding period for such EMJ stock would begin the day after the effective time of the merger.

Information Reporting and Backup Withholding

Unless you comply with certain reporting and/or certification procedures or are an exempt recipient under applicable provisions of the Internal Revenue Code and Treasury regulations, cash payments in exchange for your Holding stock in the merger will be subject to backup withholding at a rate of 28% for federal income tax purposes. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

Each Holding stockholder will be required to retain records and file with such stockholder's United States federal income tax return a statement setting forth certain facts relating to the merger.

Stock Bonus Plan

Notwithstanding the foregoing, with respect to shares of Holding stock held in Holding s stock bonus plan, consideration received in the merger and financial restructuring by the stock bonus plan on account for participants in the stock bonus plan will not be taxed currently to such participants, provided that the stock bonus plan maintains its tax-exempt status. Taxation to such participants will occur upon the distribution of a participant s account balance to such participant, generally at ordinary income tax rates.

The preceding summary of the U.S. federal income tax consequences of the merger does not purport to be a complete analysis or discussion of all potential tax effects relevant to the merger. This discussion may not apply to a particular stockholder in light of the stockholder s particular circumstances. You are urged to consult your own tax advisors as to the specific tax consequences to you of the merger, including tax return reporting requirements, the applicability and effect of federal, state, local, foreign and other applicable tax laws and the effect of any proposed changes in the tax laws.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS OF EMJ**

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this proxy statement/prospectus. This discussion and the projections on pages 57 and 58 contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of various factors, including the risks discussed in Risk Factors and elsewhere in this prospectus. Our fiscal year ends March 31 of each applicable year.

Overview

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

The metals service center industry is affected by market demand and metals supply. The most advantageous business conditions for the leading metals service centers in North America that have strong supply relationships with metals producers occur when domestic demand is strong and worldwide supply is limited. After many quarters of weak industrial economic conditions in the United States, the metals service center industry began to experience growth in sales volume and increases in prices during the last calendar quarter of 2003. This growth, which has continued throughout 2004, has been due to growing demand for metal products in North America and emerging countries, led by China. This significant increase in demand has changed the balance of supply and demand for metal products, which has correspondingly increased prices and reduced the supply of certain metals. Another factor currently affecting metal prices and availability in North America is favorable exchange rates that are helping end-users that export their finished products and hurting the supply of traditionally less expensive foreign raw material coming to North America. During the first two quarters of fiscal 2005 our gross margin percentage increased as compared to the same period of fiscal 2004, mainly because of our ability to increase our selling prices to our customers due to the higher costs of most of our products. Improved customer demand, along with limited supplies of many metals and the efforts of our sales force allowed us to pass through increased pricing to our customers. Our gross margin percentage increased because we passed those price increases on to our customers before we received higher cost material in our inventory. However, during the third quarter of fiscal 2005 and the current quarter, we received higher cost material into our inventory and the rate of mill price increases, along with our selling prices, slowed, which has caused our gross margins to decline in the third quarter and is expected to cause our gross margins to decline in the fourth quarter of fiscal 2005. LIFO charges have made and will make a significant contribution to this compression of reported gross margin percentage in the third and fourth quarter of fiscal 2005 and for the full fiscal year. We anticipate that customer demand in 2005 will remain strong but the greater availability of material and the leveling off of price increases could cause a decline in our gross profit margins and EBITDA (as defined and discussed in footnote 4 under the heading Selected Consolidated Financial and Other Data of EMJ).

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

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broad network of facilities, proprietary technology, automated warehouse system and experienced management team have differentiated, and will continue to differentiate, us in the marketplace.

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

during fiscal 2004 and the first nine months of fiscal 2005, we handled approximately 7,900 and 8,100 sales transactions per business day, respectively, at an average sale price of approximately \$520 and \$750 per transaction, respectively;

our tons shipped from stock inventory during the first nine months of fiscal 2005, which constituted 93.4% of our revenues from the sale of metal products for such period, was 23.1% higher compared to the first nine months of fiscal 2004;

in the first nine months of fiscal 2005, tons shipped from stock inventory per employee, based on the average number of employees during the first nine months, increased approximately 21% to 343 compared to the first nine months of fiscal 2004;

in the first nine months of fiscal 2005, our EBITDA (as defined and discussed in footnote 6 under the heading "Selected Consolidated Financial and Other Data") per employee, based on the average number of employees in the period, increased 107.0% to \$67,675 from the first nine months of fiscal 2004; and

our operating margin for the first nine months of fiscal 2005 and fiscal 2004 was 9.0% and 6.3%, respectively.

Revenues

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

Cost of Sales

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

Gross Profit

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

Expenses

Our expenses primarily consist of (1) warehouse and delivery expenses, which include occupancy costs, compensation and employee benefits for warehouse personnel, processing, shipping and handling costs, (2)

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

Company Owned Life Insurance

We are the owner and beneficiary of life insurance policies on (1) all former non-union employees of a predecessor company, including certain current employees of EMJ, and (2) key man life insurance policies on certain current and former executives of EMJ and predecessor companies. These policies, by providing payments to us upon the death of covered individuals and by permitting company borrowings against the cash surrender value of these policies, are designed to provide us cash to repurchase shares held by employees in Holding's stock bonus plan and shares held individually by employees following the termination of their employment. Cash surrender value of the life insurance policies, which was \$235.7 million as of December 31, 2004 (against which we have borrowed \$203.9 million), increases by a portion of the amount of premiums paid and by dividend income earned under the policies. As specified in the terms of the insurance policies, the rates for dividends payable on the policies correspondingly increase when borrowings are outstanding under the policies. This increase in dividends is greater than the increase in the associated interest expense we incur in connection with borrowing against the cash surrender value of the policies. Dividend income earned under the policies was \$17.8 million in fiscal 2004, \$17.2 million in fiscal 2003, \$13.5 million in fiscal 2002, \$15.4 million in the first nine months of fiscal 2005 and \$12.4 million in the first nine months of fiscal 2004 and is reported as an offset to general and administrative expenses in our consolidated statements of operations. The effect of these company owned life insurance policies on our pre-tax income, which we refer to as COLI effect, is discussed in footnote 5 under the heading Selected Consolidated Financial and Other Data of EMJ at page 10.

Segment

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

Critical Accounting Policies

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

Revenue Recognition.

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

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Allowances for Doubtful Accounts.

Accounts receivable consist primarily of amounts due to us from our normal business activities. We establish allowances for doubtful accounts based on estimates of losses related to customer receivable balances. We develop estimates by using formulas or standard quantitative measures based on accounts aging, historical losses (adjusted for current economic conditions) and, in some cases, evaluating specific customer accounts for risk of loss. We assess our allowances for doubtful accounts on a quarterly basis. Our provision for estimated losses and our write-offs for doubtful accounts recorded during each of the fiscal years ended March 31, 2002, 2003 and 2004 was less than 0.5% of each fiscal year's revenues. However, significant changes in specific markets that we serve that result in the deterioration of the financial condition of our customers in those markets and, therefore, negatively impact those customers' ability to make payments to us, could require an increase in our allowances or cause our allowances to be insufficient to cover actual write-offs.

Inventory Reserves.

Inventories largely consist of raw material purchased in bulk quantities from various mill suppliers to be sold to our customers. An allowance for excess inventory is maintained to reflect the expected unsaleability of specific inventory items based on condition, recent sales activity and projected market demand. This allowance represented less than 2% of our total inventory as of March 31, 2002, 2003 and 2004.

Accounting for Stock Options.

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

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

Pension and Other Postretirement Benefits.

We develop our pension and postretirement benefit costs and credits from actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected return on plan assets. We are required to consider current market conditions, including changes in interest

rates, in selecting these assumptions. Changes in the related pension and postretirement benefit costs or credits may occur in the future due to changes in the assumptions, in addition to changes resulting from fluctuations in our related headcount. In April 2004, we made an annual contribution of \$700,000 to our hourly employee pension plan as a result of changes in assumptions. We expect to make annual payments of \$700,000 over the next four years and \$400,000 thereafter to meet ERISA minimum pension funding requirements.

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Insurance Reserves.

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

Incentive Compensation.

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

Contingencies.

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

Income Taxes.

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

Results of Operations

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

Fiscal Year Ended March 31,

Three Months Ended

Nine Months Ended

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

Table of Contents**Results of Operations Three Months Ended December 31, 2004 Compared to Three Months Ended January 1, 2004**

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

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

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

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

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Selling expenses for the third quarter of fiscal 2005 increased 15.5% to \$9.7 million, from \$8.4 million for the same period in fiscal 2004, and decreased as a percentage of revenues to 2.4% in the third quarter of fiscal 2005 from 3.4% in the third quarter of fiscal 2004. The increase in selling expenses resulted from higher incentive accruals for sales personnel due to record sales levels, overtime and vehicle lease expense. Selling incentives, however, have been declining quarterly since the first quarter of fiscal 2005 as the comparable growth levels used to calculate the incentives decrease. For example, selling incentives decreased by 54% for the third quarter of fiscal 2005 from the second quarter of fiscal 2005. Beginning the second quarter of fiscal 2005, selling incentives have been based on an inflation-adjusted growth for fiscal 2006 and are expected to return to more traditional levels.

General and administrative expenses for the third quarter of fiscal 2005 increased 250.4% to \$41.7 million, from \$11.9 million for the same period in fiscal 2004. These expenses were 10.4% of revenues in the third quarter of fiscal 2005 and 4.8% of revenues in the same period in fiscal 2004. General and administrative expenses include the \$17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares at the end of each reporting period, fair market value of these 2,461,547 uncontributed shares at December 31, 2004, was \$6.61), the \$6.3 million termination fee paid to Kelso in connection with an amendment to our financial advisory agreement with Kelso, the \$3.5 million performance bonus paid to Mr. Nelson, our chief executive officer, and the non-cash charge of \$1.6 million for the adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and modification of terms of existing options. Additionally, increases in general and administrative expenses resulted from higher compensation and costs associated with the relocation and improvement of certain facilities associated with consolidation projects, partially offset by a net gain from the sale of redundant properties. Fiscal 2004 expenses included costs associated with the corporate office move from Brea, California to Lynwood, California and were partially offset by income attributable to our company owned life insurance programs.

As soon as practicable after, and conditioned upon consummation of the public offering, we have committed to pay a taxable initial public offering bonus of \$8.5 million to our employees on the date of this proxy statement/prospectus who are also participants in the stock bonus plan. Our expenses for the quarter in which we consummate an initial public offering will be adversely impacted by this charge.

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

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

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

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Income Taxes. We realized an income tax benefit of \$2.0 million for the third quarter of fiscal 2005, compared to a tax expense of \$471,000 for the same period in fiscal 2004. Our tax benefit for the three months ended December 31, 2004 of \$2.0 million was due to the reduction in our estimated annual taxable income, and the resultant reduction in our estimated effective tax rate for federal, state, and foreign income taxes. The reduction in our estimated effective annual tax rate required us to record a benefit so that our year to date effective tax rate approximates our estimated effective annual tax rate. The reduction in estimated annual income was primarily due to the \$17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares at the end of each reporting period, fair market value of these 2,461,547 uncontributed shares at December 31, 2004, was \$6.61); the charge for the \$3.5 million performance bonus paid to Mr. Nelson, our chief executive officer; the non-recurring charge for the \$6.3 million fee paid to Kelso, in connection with terminating our obligation to pay fees to Kelso under our financial advisory agreement with Kelso; and the non-cash charge of \$1.6 million in connection with the adoption of SFAS No. 123, *Accounting for Stock-Based Compensation*, and the modification of terms of existing options.

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

Results of Operations Nine Months Ended December 31, 2004 Compared to Nine Months Ended January 1, 2004

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

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

Expenses. Total operating expenses for the first nine months of fiscal 2005 increased 42.0% to \$220.1 million, from \$155.0 million for the same period in fiscal 2004. As a percentage of revenues, operating expenses were 19.1% in the first nine months of fiscal 2005, compared to 21.6% for the same period in fiscal 2004. Operating expenses were impacted in the first nine months of fiscal 2005 by the \$17.3 million accrual for the special contribution to our stock bonus plan (this accrual will be adjusted to reflect the fair market value of the uncontributed shares at the end of each reporting period, fair market value of these 2,461,547 uncontributed shares at December 31, 2004, was \$6.61), the \$6.3 million termination fee paid to Kelso in connection with an

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amendment to our financial advisory agreement with Kelso, the \$3.5 million performance bonus paid to Mr. Nelson, our chief executive officer, and the non-cash charge of \$1.6 million in connection with the adoption of SFAS No. 123, *Stock-Based Compensation*, and the modification of terms of existing options. Additionally, increases in operating expenses for the first nine months of fiscal 2005 generally reflect the changes in variable expenses impacted by higher tons shipped, rising prices for freight and fuel and higher compensation and benefit costs.

Warehouse and delivery expenses for the first nine months of fiscal 2005 increased 17.6% to \$116.1 million, from \$98.7 million for the same period in fiscal 2004. As a percentage of revenues, warehouse and delivery expenses were 10.1% in the first nine months of fiscal 2005, compared to 13.7% for the same period in fiscal 2004. The increase in these expenses resulted primarily from higher freight and fuel prices due to higher tons shipped, higher overtime and temporary labor expense and higher equipment and building maintenance expenses, partially offset by lower leased equipment expense. In addition, we recorded a \$1.5 million charge in the first nine months of 2005 to reserve for specialized equipment operating lease obligations related to a parts fabrication contract that was terminated early by the customer.

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

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

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

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

The outstanding borrowings against the cash surrender value of our company owned life insurance policies were \$203.9 million at December 31, 2004 and \$183.0 million at January 1, 2004, and the total interest expense on these borrowings increased to \$16.7 million during the first nine months of fiscal 2005, compared to \$15.1

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million for the same period in fiscal 2004. These increases resulted primarily from additional borrowings of \$21.6 million against the increased cash surrender value of our company owned life insurance policies in the first nine months of fiscal 2005 to pay annual premiums on the policies and to pay interest on previous borrowings, as described under [Liquidity and Capital Resources](#) below.

Income Taxes. Income tax expense for the first nine months of fiscal 2005 was \$10.3 million compared to \$1.4 million for the first nine months of fiscal 2004. Our effective tax rate for fiscal 2005 is estimated at 16.3%, and is based on our estimated annual taxable income tax rate for fiscal year 2005, compared to an effective tax rate of 21.5% in 2004. Income tax expense for fiscal 2005 includes provisions for federal, state franchise, and foreign income taxes, and fiscal 2004 tax expense includes provisions for state franchise and foreign income taxes. The reduction in the effective tax rate in fiscal 2005 when compared to fiscal 2004, was due to our Canadian pretax income, which is taxed at a higher tax rate, making up a larger portion of consolidated pretax income in fiscal 2004. The federal tax rate for the first nine months of fiscal 2005 was 7.6% of domestic pretax income, and was lower than the U.S. federal statutory tax rate primarily due to recognition of tax benefits associated with the utilization of loss carryforwards.

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

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

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

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

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

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

General and administrative expenses decreased \$7.9 million, or 15.5%, to \$43.0 million in fiscal 2004, compared to \$50.9 million in fiscal 2003. These expenses were 4.1% of revenues in fiscal year 2004 and 5.5% of revenues in fiscal 2003. The increase in these expenses reflected higher healthcare and casualty and liability insurance, an increase in professional services and higher accruals for management incentives, partially offset by higher income recognized in connection with our dividends earned under our company owned life insurance policies, currency exchange gains and gains on sale of surplus property. The increase in professional services was primarily attributable to accounting, legal and financial advisory fees in connection with our merger and financial restructuring as initially proposed.

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

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

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

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

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

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

Gross Profit. Gross profit increased 3.3% to \$261.4 million in fiscal 2003, compared to \$253.1 million in fiscal 2002. Gross margin improved to 28.4%, compared to 28.3% in fiscal 2002. During fiscal 2002 and 2003, the metals service center industry was adversely impacted by weak economic conditions and weakened demand

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due to the uncertainty of an economic recovery. Costs for metal products were volatile due to competitive pressures resulting in decreased costs of metals. Our decreased costs of metals resulted in a LIFO credit of \$3.4 million in fiscal 2003 compared to a charge of \$0.6 million in fiscal 2002. Gross profit and gross margin from our domestic operations were \$249.8 million and 28.9%, respectively, in fiscal 2003, compared to \$243.6 million and 28.6%, respectively, for fiscal 2002. Gross profit and gross margin from our Canadian operations were \$11.6 million and 21.3%, respectively, in fiscal 2003, compared to \$9.5 million and 21.7%, respectively, in fiscal 2002.

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

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

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

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

As disclosed above, we recognized loss on early retirement of debt of \$12.3 million in fiscal 2003 in connection with the early retirement of our 9¹/₂% senior notes and term loan.

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

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

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

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

Quarterly Results of Operations

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

	Quarter Ended										
	Jun 27, 2002	Sep 27, 2002	Dec 31, 2002	Mar 31, 2003	Jun 30, 2003	Sep 29, 2003	Jan 1, 2004	Mar 31, 2004	Jun 30, 2004	Sep 29, 2004	Dec 31, 2004
	(in thousands) (unaudited)										
Statement of Operations Data											
Revenues	\$ 225,133	\$ 225,231	\$ 223,573	\$ 245,990	\$ 238,299	\$ 231,216	\$ 248,785	\$ 322,067	\$ 361,636	\$ 389,270	\$ 401,683
Gross profit	63,266	63,612	63,719	70,768	66,862	64,240	68,805	86,194	105,561	110,542	107,751
Expenses	60,885	49,763	49,903	49,726	50,621	50,249	54,102	61,657	65,895	62,849	91,347
Income from operations	2,381	13,849	13,816	21,042	16,241	13,991	14,703	24,537	39,666	47,693	16,404
Net interest expenses	10,368	12,189	12,529	12,120	12,628	12,583	12,995	12,888	13,112	13,321	14,101
Net income (loss)	(8,335)	1,556	1,153	8,008	2,794	1,250	1,237	9,970	21,957	26,690	4,285

Liquidity and Capital Resources

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

Working capital decreased to \$139.5 million at March 31, 2004 when compared to \$150.2 million at March 31, 2003. The decrease was attributable to an increase in our accounts payable and accrued liabilities of \$55.2 million resulting from increased demand during the fourth quarter of fiscal 2004, partially offset by higher accounts receivable of \$35.8 million and an increase in our inventory of \$11.7 million. Our primary sources of

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cash in fiscal 2004 consisted of funds provided by operations of \$29.5 million and proceeds from sale of assets of \$1.5 million. Our primary uses of cash in fiscal 2004 consisted of (1) capital expenditures of \$10.5 million, (2) dividends to Holding of \$5.8 million for the redemption of stock from retiring and terminated EMJ employees and (3) net payments under our credit facilities of \$19.4 million. The redemption of \$5.8 million of Holding capital stock from retiring and terminated EMJ employees was required by the terms of our stock bonus plan and by the Holding's stockholders agreement. This amount was lower than the amount paid in fiscal 2003 and in fiscal 2002 due to the timing of distributions, the number and mix of shares being purchased and changes in stock prices. We expect that these redemptions for fiscal 2005 will be similar to those paid in fiscal 2004, although the amount or timing of these expenditures is not within our control and there can be no assurance in this regard. Effective upon the consummation of the merger and financial restructuring and the public offering, we will assume Holding's obligations under the stock bonus plan and participants will no longer have the right to put shares of Holding common stock to Holding or us upon termination of their employment.

Capital Expenditures. Capital expenditures were \$10.5 million in fiscal 2004, \$15.3 million in fiscal 2003 and \$24.5 million in fiscal 2002. Capital expenditures in fiscal 2004 were primarily for routine replacement of machinery and equipment, facility improvements and expansions, including the expansion and automation of our facility in Chicago, and the purchase of computer hardware and software. For the first nine months of fiscal 2005, our capital expenditures totaled \$19.6 million, of which \$9.0 million was spent on the relocation of our facility within Houston, Texas, relocation of our Chattanooga, Tennessee satellite facility to a new facility in Birmingham, Alabama and, expansion of a facility in Wrightsville, Pennsylvania, \$6.0 million was spent on routine replacement of machinery and equipment, \$3.7 million was spent on facility improvements and \$0.9 million was spent on additions and enhancements to our information systems. We anticipate spending approximately \$3.0 million on additional capital expenditures during the fourth quarter of fiscal 2005.

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

Domestic Credit Facility. On March 4, 2005, our new amended and restated domestic credit facility became effective, providing for an increase in maximum borrowings, a reduction in the applicable interest rate and increased flexibility with respect to capital expenditures, restricted payments and investments. Our amended and restated domestic credit facility allows maximum borrowings of the lesser of \$300.0 million, including letters of credit, and an amount equal to 85% of eligible trade receivables plus 60% of eligible inventories. At December 31, 2004, we had \$91.6 million of revolving loans and \$9.4 million of letters of credit outstanding under our domestic credit facility. Borrowings under our amended and restated domestic credit facility bear interest at a base rate (generally defined as the greater of Deutsche Bank Trust Company Americas' prime lending rate or 0.5% over the Federal Funds Rate) plus 1.00% or the adjusted Eurodollar rate plus 2.00%. The applicable margin will increase or decrease based on the leverage ratio (as defined in the amended and restated credit facility). At December 31, 2004, the bank's prime lending rate was 5.25% and the Eurodollar rate was 2.13%. Borrowings under our credit facility are secured by our domestic inventory and accounts receivable. Under the amended and restated domestic credit facility, we are obligated to pay certain fees, including an unused commitment fee of 0.375%, payable monthly in arrears, and letter of credit fees of 2.00% per year of the maximum amount available to be drawn under each letter of credit, payable quarterly in arrears, plus other standard fees. The amended and restated domestic credit facility also contains a financial covenant concerning the maintenance of a fixed charge coverage ratio. The amended and restated domestic credit facility also limits, among other things, the incurrence of liens and other indebtedness, mergers, consolidations, the sale of assets, annual capital expenditures, advances, investments and loans by us and our subsidiaries, dividends and other restricted payments by us and our subsidiaries in respect of capital stock, and certain transactions with affiliates. As of December 31, 2004, we were in compliance with all covenants under our domestic credit facility. In December 2004, prior to amending and restating our credit facility, we received an amendment to the credit facility and consents from our bank syndicate to cover planned expenditures exceeding the covenant limitations on capital expenditures for fiscal

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2005, the financial restructuring, the payment of the termination fee to Kelso, the special contribution to our stock bonus plan, the redemption of stock options to purchase Holding common stock from Mr. Nelson, our chief executive officer, and the payment of the performance bonus to Mr. Nelson. Our credit facility will mature in March 2010.

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

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

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

Senior Secured Notes. As of December 31, 2004, we had \$250.0 million in aggregate principal amount of 9³/₄% senior secured notes outstanding, with interest payable semi-annually on June 1 and December 1. Our notes are secured by a first priority lien (subject to permitted liens) on substantially all of our current and future acquired unencumbered real property, plant and equipment. We will not be required to make any principal payments on our senior secured notes until their maturity in fiscal 2013. The indenture under which our senior secured notes are issued contains covenants that limit our ability to incur additional debt, pay dividends and make distributions, make certain investments, transfer and sell assets, create certain liens in favor of other entities, engage in sale-leaseback transactions, engage in certain transactions with affiliates, and consolidate or merge or sell all or substantially all of our assets.

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

Future Needs. Our ongoing cash requirements for debt service and related obligations are expected to consist primarily of interest payments under our domestic credit facility, interest payments on our 9³/₄% senior secured notes, capital expenditures and principal and interest payments on our industrial revenue bonds.

We believe our sources of liquidity and capital resources are sufficient to meet all currently anticipated short-term and long-term operating cash requirements, including debt service payments on our credit facility and 9³/₄% senior secured notes prior to their scheduled maturities in fiscal 2010 and fiscal 2013, respectively. We may need to refinance all or a portion of our credit facility and/or the 9³/₄% senior secured notes prior to their maturity. If we are unable to satisfy our debt obligations or to timely refinance or replace our debt, we may need to sell assets, reduce or

delay capital investments or raise additional capital to be able to effectively operate our business.

Table of Contents**Contractual Obligations**

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

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

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

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, we are exposed to various market risk factors caused by changes in commodity prices, interest rates and foreign currency exchange rates. We do not use financial instruments or enter into hedging transactions for speculative or trading purposes with respect to managing these market risks. However, we have used and will continue to evaluate the use of financial instruments to reduce our exposure to higher interest costs during periods of rising interest rates. At December 31, 2004 no such financial instruments existed. Our exposure to changing interest rates is limited to our domestic revolving credit facility such that our results of operations and cash flows during the first nine months of fiscal 2005 would have been impacted by approximately \$1.1 million for each 1% increase or decrease in the applicable interest rate.

The currency used by our foreign subsidiaries is the applicable local currency. Exchange adjustments resulting from foreign currency transactions are recognized in net earnings, and adjustments resulting from the translation of financial statements are included in accumulated other comprehensive income (loss) within our stockholder's equity (deficit). Our exposure to market risk for changes in foreign currency exchange rates is limited to our Canadian operations and the Canadian dollar. Changes in the exchange rate of the Canadian dollar have not and

are not expected to have a material impact on our results of operations and cash flows. We estimate that a 10% change in the average exchange rate of the Canadian dollar during the first nine months of fiscal 2005 would have impacted our net income by approximately \$0.8 million. We do not expect to hedge our exposure to foreign currency fluctuations in the foreseeable future.

Recent Accounting Developments

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (Revised), *Share Based Payment*. SFAS No. 123(R), which replaces SFAS No. 123, *Accounting for Stock-Based Compensation*, supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* and amends SFAS No. 95, *Statement of Cash Flows*. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123, which we adopted in December 2004. SFAS

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No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values (i.e., pro forma disclosure is no longer an alternative to financial statement recognition). SFAS No. 123(R) is effective for public companies at the beginning of the first interim or annual period beginning after June 15, 2005. Nonpublic companies will be required to adopt the new Statement at the beginning of the first annual period beginning after December 15, 2005.

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

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

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

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS OF HOLDING**

General

Holding was formed in 1990, when affiliates of Kelso & Company acquired control of and combined two leading metals distributors, EMJ (founded in 1921) and Kilsby-Roberts Holding Co. (successor to C.A. Roberts Company, founded in 1915). In connection with the combination of these two companies, EMJ became a wholly owned subsidiary of Holding. EMJ was formed for the purpose of continuing the operations of these combined entities and Holding was formed to achieve certain favorable tax and general and administrative expense savings for these combined entities.

All of the EMJ consolidated condensed income statement results are included in Holding's results, with the exception of the following:

General and Administrative Expenses. Expenses for Holding were \$(27,000), \$(20,000) and none in fiscal 2003, 2004 and the first nine months of fiscal 2005, respectively. Holding expenses are charged back to EMJ with a 5% management fee added to compensation expense.

Net Interest Expense. Net interest expense was \$35.3 million, \$38.8 million and \$21.4 million in fiscal 2003, 2004 and first nine months of fiscal 2005, respectively. Such amounts reflect interest under Holding's variable rate senior notes.

Income Tax Expense. For the first nine months of fiscal 2005 and 2004 included provisions for state and franchise and foreign income taxes. The federal tax rate for the first nine months of fiscal 2005 was 1%, and was lower than the U.S. federal statutory tax rate primarily due to the recognition of tax benefits associated with the utilization of loss carryforwards. The federal tax provision for the first nine months of fiscal 2004 was offset by the recognition of tax benefits associated with loss carryforwards, which for Holding were greater than the loss carryforwards for EMJ on a consolidated basis. Income tax expense has been provided for the three and nine months ended December 31, 2004 based on the Company's estimated effective income tax rate for fiscal 2005.

Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations of EMJ for additional information.

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BUSINESS

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

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

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

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

Industry Overview

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

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

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

Competitive Strengths

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

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

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

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

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

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

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

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

Operating and Growth Strategy

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

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

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

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

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

Products and Suppliers

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We have designated certain carbon and alloy, stainless and aluminum products as core product offerings under our bar and tubular product lines. We also offer certain plate and other products. Each of our service centers stocks a broad range of shapes and sizes of each of these products, as dictated by market demand, in an effort to be a market leader in all of the core product lines in its geographic area. We process most of the metal products we sell by cutting to length, burning, sawing, honing, shearing, grinding, polishing, and performing

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similar services on them, all to customer specifications. These processing services save our customers time, labor and expense, which helps them better manage their manufacturing costs. As part of our inventory management services, we schedule deliveries in the quantities and at the times required by just-in-time manufacturing processes employed by a growing number of leading manufacturing companies and provide our customers with an on-time product delivery guarantee. Our inventory management services also include special stocking programs and management of inventory levels for items specified by customers based on their forecasts.

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

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

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

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The majority of our procurement activities are handled by a centralized merchandising office in our Chicago facility. Specialists in major product lines make the majority of inventory purchases on behalf of our service centers. This merchandising group develops and evaluates the working relationships with high-quality suppliers to ensure availability, quality and timely delivery of product. Because of this centralized coordination and the total volume of purchases we make, we often are a recognized distributor for major metals suppliers and believe that we are able to purchase our core products inventory at the lowest unit cost available to North American metals service centers.

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The majority of our inventory purchases are made by purchase order, and we have no significant supply contracts with periods in excess of one year. We are not dependent on any single supplier for any product or for a significant portion of our purchases. In fiscal 2004 and the first nine months of fiscal 2005, no single supplier represented more than 10% of our total purchases. We purchased less than 15% of our inventory from foreign-based suppliers in fiscal 2004.

Customers and Markets

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

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

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

Most of our sales originate from individual purchase orders, with the pricing set at the time of sale, and are not subject to ongoing supply contracts. When we enter into a fixed price contract, we typically enter into a corresponding supply arrangement with our supplier to cover the commitment to our customer. These corresponding supply arrangements limit the risk of fluctuating prices negatively impacting our margins on

these fixed price arrangements. These arrangements provide the customer with greater certainty as to timely delivery, price stability and continuity of supply, and sometimes satisfy particular processing or inventory management requirements. In addition, these arrangements have resulted in new customer relationships and increased sales

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

Competition

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

Information Management Systems

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

Intellectual Property and Licenses

EMJ® and E-METALS® are registered trademarks, and our name is a registered service mark in the United States and in other countries where we do or expect to do business. Other service marks, including hallmarks, logos, taglines or mottos used to conduct business are or will be registered as necessary to protect our proprietary rights.

We also own our Internet domain name, emjmetals.com. We consider certain information owned by us to be trade secrets, and we take measures to protect the confidentiality and control the disclosure of such information. We believe that these safeguards adequately protect our proprietary rights. While we consider all of our intellectual property rights as a whole to be important, we do not consider any single right to be essential to our operations.

Employees

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

Properties

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

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

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

Country/City/State or Province	Owned/ Leased	Square Footage (approximately)
United States:		
Birmingham, Alabama	Owned	80,000
Phoenix, Arizona	Owned	72,200
Little Rock, Arkansas	Leased	27,700
Hayward, California	Leased	91,000
Los Angeles, California (a distribution center and a plate processing center)	Owned	319,400
Denver, Colorado	Leased	77,400
Orlando, Florida(1)	Leased	29,700
Chicago, Illinois(2)	Owned	603,700
Indianapolis, Indiana	Owned	225,000
Eldridge, Iowa	Leased	140,500
Boston, Massachusetts	Owned	63,500
Detroit, Michigan(1)	Leased	28,700
Minneapolis, Minnesota	Owned	169,200
Kansas City, Missouri	Leased	120,900
St. Louis, Missouri	Leased	108,100
Rochester, New York(1)	Leased	31,500
Charlotte, North Carolina	Owned	175,300
Cincinnati, Ohio	Leased	125,200
Cleveland, Ohio	Owned	200,200
Cleveland, Ohio	Owned	137,800
Tulsa, Oklahoma (a distribution center and tubular honing center)	Owned	143,400
Portland, Oregon	Leased	33,800
Philadelphia, Pennsylvania	Leased	27,200
Wrightsville, Pennsylvania	Leased	124,500
Memphis, Tennessee	Leased	56,500
Dallas, Texas	Owned	132,800
Houston, Texas	Owned	95,200
Salt Lake City, Utah(1)	Leased	25,400
Seattle, Washington	Leased	83,600
Canada:		
Edmonton, Alberta	Leased	25,800
North Bay, Ontario(1)	Leased	10,000
Toronto, Ontario	Leased	61,800
Montréal, Quebec	Leased	82,700

(1) We consider these locations satellite operations.

(2) Our Chicago facility supplies products to all of our other service centers.

Foreign Operations

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Through our wholly owned subsidiary, Earle M. Jorgensen (Canada) Inc., a Canadian limited liability company, we operate four service centers located in Toronto, Montréal, Edmonton and North Bay. Revenues from our Canadian operations totaled \$43.7 million in fiscal 2002, \$54.4 million in fiscal 2003, \$70 million in fiscal 2004 and \$77.4 million in the first nine months of fiscal 2005. Our long-lived assets located in Canada, primarily warehouse equipment, totaled \$1.9 million, \$2.4 million, \$3.0 million and \$3.7 million as of March 31, 2002, 2003 and 2004 and December 31, 2004, respectively.

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Health and Safety Regulations

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

Environmental Matters

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

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

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

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

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

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

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

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

file a voluntary clean-up application with the Texas Commission for Environmental Quality, or TCEQ, that commits us to clean-up the soil and groundwater at the site for the benzene and chlorinated solvents to acceptable levels in accordance with TCEQ requirements;

fund an escrow account with \$0.5 million to be available to complete required clean-up and subsequent monitoring activities; and

indemnify the buyer for pre-existing environmental issues on the site based on applicable TCEQ industrial/commercial standards.

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

Legal Proceedings

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

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

the consent order. These discussions with the Department of Labor resulted in delays that, combined with

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other transactional requirements, precluded the consummation of the financial restructuring on the terms originally proposed.

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

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

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

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

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

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

To offset the loss of account value stock bonus plan participants who hold shares of Holding common stock will sustain as a result of the change in the appraisal methodology pursuant to of the amended consent order, Holding will implement a program to make a special contribution of additional shares of Holding common stock or common stock equivalents to (1) the stock bonus plan, (2) a supplemental stock bonus plan, and (3) a cash bonus plan. See *The Amended Consent Order* beginning on page 34.

Champagne Metals. On April 22, 2002, Champagne Metals, a small metals service center distributing aluminum coil products in Oklahoma, brought suit against us and six other metal service centers in the federal District Court for the Western District of Oklahoma. Champagne Metals alleged that we had conspired with the other metal service centers to induce or coerce aluminum suppliers to refuse to designate Champagne Metals as a distributor in violation of federal and state antitrust laws and that such conspiracy further constituted tortious interference with business and contractual relations. Champagne Metals sought treble damages on its antitrust claims and punitive damages in addition to actual damages. EMJ and the other defendants filed motions for summary judgment, and on June 15, 2004, the federal District Court for the Western District of Oklahoma entered an order granting the motions for summary judgment of each of the defendants including EMJ and

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dismissed the case. Champagne Metals has appealed the judgment. The 10th Circuit Court of Appeals Mandatory Settlement and Procedural Matters Conference occurred on September 17, 2004, without anything substantive taking place. On November 5, 2004, the plaintiff filed and served its Appellant's Brief on Appeal. Defendants' Responsive Brief on Appeal was filed on December 22, 2004, and plaintiff filed Appellant's Reply Brief on January 19, 2005.

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

Table of Contents**MANAGEMENT****Executive Officers and Directors**

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

<u>Name</u>	<u>Position</u>
Maurice S. Nelson, Jr.	67 President, Chief Executive Officer, Chief Operating Officer and Director
R. Neil McCaffery	55 Executive Vice President
William S. Johnson	47 Vice President, Chief Financial Officer and Secretary
Frank D. Travetto	52 Vice President, Merchandising
Kenneth L. Henry	58 Executive Vice President
James D. Hoffman	46 Vice President
David M. Roderick	80 Chairman of the Board
William A. Marquard	84 Director
Earl L. Mason	57 Director
Frank T. Nickell	57 Director
John Rutledge	56 Director
David I. Wahrhaftig	47 Director
Joseph T. O'Donnell, Jr.	57 Director

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

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

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

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

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

James D. Hoffman. Mr. Hoffman has been our Vice President since March 2001 and has been responsible for operations of our Cleveland and Boston facilities since March 2001. Before that, Mr. Hoffman was our Vice

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President Eastern Region since July 1996. Before that, Mr. Hoffman was District Manager for our Cleveland and Buffalo operations since June 1992.

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

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

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

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

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

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

Joseph T. O'Donnell, Jr. Mr. O'Donnell has been a director of EMJ and Holding since January 1, 2005. Mr. O'Donnell is a founding partner of Briscoe Capital Management, LLC, an investment advisory firm that manages a portfolio of senior secured debt. Mr. O'Donnell is currently a director of Endo Pharmaceuticals Holdings, Inc., a director of Metzler North America Corp., the U.S.-based corporate finance affiliate of B. Metzler seel. Sohn & Co., Frankfurt, Germany, and President of Van Beuren Capital, L.L.C., a private merchant banking and advisory firm. Until December 31, 2002, Mr. O'Donnell was President of Metzler Corporation. Prior to joining Metzler, Mr. O'Donnell spent 26 years at various

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affiliates of Bankers Trust Corporation. From 1986 to 2000, he was involved in the acquisition and leveraged finance business. Prior to 1986, he was involved in Bankers Trust's global airline and aerospace division and in middle-market financing activities in the New York Metropolitan area.

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Board of Directors

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

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

Committees of the Board of Directors

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

Audit Committee

The audit committee will oversee our accounting and financial reporting processes, as well as the audits of our financial statements, including retaining and discharging our auditors. The audit committee will be comprised of not fewer than three directors, each of whom will be independent under the requirements of the New York Stock Exchange, the Sarbanes-Oxley Act of 2002 and the Commission's rules and regulations promulgated thereunder. Upon the closing of the merger and financial restructuring and the public offering, the audit committee will be comprised of Messrs. Mason (Chairperson), Rutledge and O'Donnell. The Amended and Restated Charter of the Audit Committee, which will become effective upon the closing of the merger and financial restructuring and the public offering, is attached to this proxy statement/prospectus as Annex E.

Compensation Committee

The compensation committee will oversee the administration of our equity-based compensation plans, review and administer all compensation arrangements for executive officers and establish and review general policies relating to the compensation and benefits of our officers and employees. The compensation committee will be comprised of not fewer than two directors, each of whom will be independent under the

requirements of the New York Stock Exchange. Upon the closing of the merger and financial restructuring and the public offering, the compensation committee will be comprised of Messrs. Mason, Rutledge and O'Donnell.

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Nominating and Corporate Governance Committee

The nominating and corporate governance committee will identify and recommend to the board of directors appropriate director nominee candidates and provide oversight with respect to corporate governance matters. The nominating and corporate governance committee will be comprised of not fewer than two directors, each of whom will be independent under the requirements of The New York Stock Exchange. Upon the closing of the merger and financial restructuring and the public offering, the nominating and corporate governance committee will be comprised of Messrs. Mason, Rutledge and O'Donnell.

Director Compensation

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

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

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

Table of Contents**Compensation Committee Interlocks and Insider Participation**

Upon consummation of the merger and financial restructuring and the public offering, our compensation committee will consist of Messrs. Mason, Rutledge and O'Donnell. Prior to the merger and financial restructuring and the public offering, our executive committee, comprised of Messrs. Nelson, Nickell and Roderick, served as our compensation committee. Mr. Nelson has served as our president, chief executive officer and chief operating officer since February 1, 1997. Mr. Nelson's compensation is described below under [Executive Compensation](#) and his equity ownership is described under [Holding Stock Option Plan](#), [Stock Incentive Plan](#) and [Security Ownership of Beneficial Owners and Management](#). Certain arrangements between Mr. Nelson and Holding and EMJ concerning his equity ownership and compensation are described below under [Performance Bonus](#), [Retention Agreement](#) and [Certain Relationships and Related Transactions](#). Mr. Nickell is president, chief executive officer and a director of Kelso & Companies, Inc., the general partner of Kelso & Company, L.P. Mr. Nickell is also a general partner of Kelso Partners I, L.P., or KP I, Kelso Partners III, L.P., or KP III, and Kelso Partners IV, L.P., or KP IV, which are the general partners of KIA I, KIA III-EMJ and KIA IV, respectively. As of March 1, 2004, the Kelso funds and other Kelso affiliates, including Mr. Nickell, held 8,259,799 shares of Holding common stock and 24,519 shares of Holding series A preferred stock. As of March 1, 2005, KIA IV also held approximately \$257,100,000 of the Holding notes (including accrued but unpaid interest) and warrants to purchase 2,937,915 shares of Holding common stock. Mr. Nickell shares investment power and voting power with respect to shares of Holding common stock that are, and will, upon consummation of the merger and financial restructuring and the public offering, share investment and voting power with respect to shares of our common stock that will be, held by KIA I, KIA III-EMJ and KIA IV. See [Certain Relationships and Related Transactions](#) and [Security Ownership of Beneficial Owners and Management](#) for a description of (1) certain agreements entered into among us, Kelso and the Kelso funds, (2) the Kelso funds interest in the merger and financial restructuring and (3) the Kelso funds ownership of our common stock. Mr. Roderick is a director of Kelso & Companies, Inc. As described above under [Director Compensation](#) and under [Certain Relationships and Related Transactions](#) Messrs. Roderick, Marquard, Rutledge, Mason and O'Donnell, we have granted Mr. Roderick options, paid him an annual cash retainer and paid him a bonus in consideration for his service as a director, chairman of the executive committee and chairman of the board.

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

Table of Contents**Executive Compensation**

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

Summary Compensation Table

Name and Principal Position	Annual Compensation			Long-Term Compensation Awards	
	Year	Salary	Bonus(1)	Securities Underlying Stock Options(2)	All Other Compensation(3)
Maurice S. Nelson, Jr.					
President, Chief Executive Officer	2004	\$ 551,326	\$ 452,504		\$ 55,500
	2003	555,762	374,388		52,049
and Chief Operating Officer	2002	555,762	270,738		47,150
Frank D. Travetto	2004	245,987	172,491		25,769
	2003	244,460	142,714	10,000	25,273
Vice President, Merchandising	2002	238,070	99,659	10,000	23,233
Kenneth L. Henry	2004	245,171	177,187		28,714
	2003	235,442	136,161	10,000	27,355
Executive Vice President	2002	226,978	94,921	10,000	25,397
R. Neil McCaffery	2004	223,316	156,650		22,440
	2003	220,960	129,608	10,000	20,418
Executive Vice President	2002	212,600	90,182	10,000	18,220
James D. Hoffman	2004	224,975	156,650		21,552
	2003	222,497	129,608	10,000	19,588
Vice President	2002	214,137	90,182	10,000	17,313

- (1) Amounts reflect cash compensation earned by executive officers in each of the fiscal years presented, including amounts received after fiscal year end or deferred at the election of those officers. Bonus amounts include a cash bonus payable pursuant to our management incentive compensation plan, which became effective April 1, 1997.
- (2) Holding has granted executive officers options to purchase shares of Holding common stock at their fair market value on the date of grant. The numbers shown do not reflect that, pursuant to the amendment to the Holding stock option plan described below under Holding Stock Option Plan, on December 16, 2004, the number of shares of common stock underlying these options was increased by a factor of 1.7641. These options will become exercisable for an equal number of shares of our common stock at the same exercise price upon consummation of the financial restructuring.
- (3) Amounts shown include allocations to the accounts of each of the named officers of contributions made by us to Holding's stock bonus plan and to our 401(a)(17) Supplemental Contribution Plan (401(a)(17) Plan) and of premiums paid by us for long-term disability and life insurance policies. The following allocations were made in fiscal 2004 for Messrs. Nelson, Travetto, Henry, McCaffery and Hoffman, respectively: (1) 401(a)(17) Plan \$40,126, \$10,855, \$10,888, \$8,940 and \$8,940; (2) long term disability \$4,668, \$3,745, \$6,779, \$3,006 and

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\$2,318; (3) life insurance \$706, \$1,169, \$1,047, \$494 and \$294. The following allocations were made in fiscal 2003 for Messrs. Nelson, Travetto, Henry, McCaffery and Hoffman, respectively: (1) stock bonus plan \$10,000, \$10,000, \$10,000, \$10,000, and \$10,000; (2) 401(a)(17) Plan \$36,220, \$9,261, \$8,372, \$7,483 and \$7,483; (3) long term disability \$4,509, \$3,745, \$6,779, \$2,133 and \$1,623; (4) life insurance \$1,603 \$2,808, \$2,731, \$994 and \$597. The following allocations were made in fiscal 2002 for Messrs. Nelson, Travetto, Henry, McCaffery and Hoffman, respectively: (1) stock bonus plan \$8,500, \$8,500, \$8,500, \$8,500, and \$8,500; (2) 401(a)(17) Plan \$32,538, \$8,180,

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\$7,387, \$6,593 and \$6,593; (3) long term disability \$4,509, \$3,745, \$6,779, \$2,133 and \$1,623; (4) life insurance \$1,603, \$2,808, \$2,731, \$994 and \$597. The amounts in respect of life insurance represent the estimated value of the premiums paid by us on certain disability and life insurance policies covering each executive. Some of the life insurance policies are managed on a split-dollar basis and we will receive the premiums we paid from the proceeds of such insurance. In such cases the amount of the other compensation attributed to the executive was calculated by treating the premiums paid by us as a demand loan, and the amount of compensation is equal to the imputed interest expense on the cumulative outstanding premiums paid by us, assuming an interest rate equal to the short-term federal funds rate, from time to time.

Performance Bonus

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

Retention Agreement

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

Option Grants in Fiscal 2004

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

Fiscal 2004 Option Values

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

Fiscal Year-End Option Values

<u>Name</u>	Number of Securities Underlying Options at Fiscal Year-End (all exercisable)(1)	Value of Unexercised In-the-Money Options at Fiscal Year-End (all exercisable)(1)(2)
Maurice S. Nelson, Jr.	1,320,000(3)	\$ 12,658,800(3)
Frank D. Travetto	95,000	751,900
Kenneth L. Henry	95,000	751,900
R. Neil McCaffery	95,000	751,900
James D. Hoffman	95,000	751,900

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- (1) The numbers shown do not reflect that, pursuant to the amendment to the Holding stock option plan described below under Holding Stock Option Plan, on December 16, 2004, the number of shares of common stock issuable upon exercise of each option was increased by a factor of 1.7641 and the exercise price of each option was decreased by a factor of 0.5669.
- (2) The value of unexercised in-the-money options is based on an assumed public offering price of \$15.00 per share, the mid-point of the range described on the cover of the public offering preliminary prospectus.
- (3) We redeemed 360,000 of these options for an aggregate purchase price of \$3,006,000 on December 16, 2004.

Holding Stock Option Plan

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

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

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

Stock Incentive Plan

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

non-qualified and incentive stock options;

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stock appreciation rights;

restricted stock; and

other stock-based awards.

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

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

On the date of the pricing of the public offering, we will grant to Messrs. Roderick, Marquard, Mason, Rutledge and O'Donnell, each of who are non-officer directors, options exercisable for 50,000 shares of our common stock at an exercise price per share equal to the initial public offering price. To date, no other awards have been granted under the stock incentive plan. After the consummation of the merger and financial restructuring and the public offering, we intend to file a registration statement on form S-8 covering the shares of our common stock reserved for issuance under the stock incentive plan and under the Holding stock option plan. Unless the stock incentive plan is earlier terminated by our board of directors, the plan will automatically terminate on December 17, 2014. Awards granted before the termination of the stock incentive plan may extend beyond that date in accordance with their terms.

Stock Bonus Plan

Holding maintains a stock bonus plan for our nonunion employees who meet certain service requirements. See "Stock Bonus Plan" at page 96 for a discussion of the particular provisions of Holding's stock bonus plan. At the date of this proxy statement/prospectus, shares of Holding series A preferred stock, Holding series B preferred stock and Holding common stock owned by the plan totaled 32,889, 27,861, and 2,454,119 shares, respectively. Series B preferred stock shares include dividends accrued for each of the four quarters of fiscal 2004. For the fiscal years ended March 31, 2002, 2003 and 2004 and the nine months ended December 31, 2004, contributions payable to the plan totaled \$2.8 million, \$2.8 million, \$2.8 million and \$2.9 million, respectively. The contributions payable for fiscal years 2002 and 2003 have been paid in cash and the 2004 contribution was paid in cash in October 2004. Upon the closing of the merger and financial restructuring and the public offering, however, participants will no longer have the right to exercise their put options on termination of employment with respect to the common stock allocated to their accounts. Upon consummation of the merger and financial restructuring, (1) the Holding common stock allocated to participants' accounts will be converted into shares of our common stock, (2) the series A preferred stock allocated to participants' accounts will be converted into shares of our common stock and cash and (3) the series B preferred stock will be converted into shares of our common stock and cash. See "Stock Bonus Plan" at page 96.

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401(a)(17) Supplemental Contribution Plan

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

Management Incentive Compensation Plan

Effective April 1, 1997, we adopted a management incentive compensation plan. The incentive plan provides for payment of cash bonuses to senior executives and other key management employees based on the achievement of certain operating profit and cash flow objectives determined by our board of directors or, after the consummation of the merger and financial restructuring and the public offering, our compensation committee. Bonuses awarded are based on a sliding scale based on the percentage of the objectives achieved. No bonus is payable unless at least 80% of the objectives are achieved, and the maximum bonus would be awarded for achievement of 150% or more of the established objectives. In addition, our chief executive officer may award bonuses from a discretionary pool for exemplary service. The board of directors ratified bonuses pursuant to the incentive plan aggregating \$4.0 million in fiscal 2002, \$5.6 million in fiscal 2003 and \$6.7 million in fiscal 2004.

Public Offering Bonus Plan

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

Supplemental Stock Bonus Plan

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

information.

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Former Employees Cash Bonus Plan

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

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****Our Common Stock**

All of our issued and outstanding voting stock, consisting of 128 shares of common stock, is owned by Holding.

Capital Stock of Holding

The following table describes the beneficial ownership of shares of Holding common stock and series A preferred stock as of the date of this proxy statement/prospectus, by all stockholders of Holding known to be beneficial owners of more than 5% of any such class, by each of our directors and each of our executive officers named in the Summary Compensation Table and by all directors and executive officers as a group as determined in accordance with Rule 13d-3(i) under the Securities Exchange Act of 1934, as amended, and adjusted for the amendment of the Holding stock option plan increasing the number of shares subject to stock options. As of the date of this proxy statement/prospectus, 27,882 shares of series B preferred stock of Holding were issued, of which 27,861 were owned by the stock bonus plan. The table also reflects the pro forma ownership of EMJ after giving effect to the consummation of the merger and financial restructuring and the public offering.

Name and Address of Beneficial Owner	Number of Shares of Holding Common Stock	Percentage of	Number of Shares of Series A Preferred Stock	Percentage of	Pro Forma Number of Shares of EMJ Common Stock(c)	Pro Forma Percentage of Shares of EMJ Common Stock Outstanding(d)
		Shares of Holding Common Stock Outstanding(a)		Shares of Series A Preferred Stock Outstanding(b)		
Delso Investment Associates, IV, L.P.(e)	9,462,475(f)	66.9%(f)	0	0.0%	12,156,379	32.3%
Earle M. Jorgensen, L.P.(e)	1,704,740	15.2%	0	0.0%	1,704,740	4.5%
Delso Investment Associates, L.P.(e)	0	0	24,519	42.6%	209,993	0.6%
Joseph S. Schuchert(e)	11,167,215(f)(g)	79.0%(f)(g)	24,519(h)	42.6%(h)	14,071,112	37.4%
Frank T. Nickell(e)	11,187,714(f)(g)	79.1%(f)(g)	24,519(h)	42.6%(h)	14,091,611	37.5%
Michael B. Goldberg(e)	9,462,475(f)(g)	66.9%(f)(g)	0	0.0%	12,156,379	32.3%
George E. Matelich(e)	11,172,215(f)(g)	79.0%(f)(g)	24,519(h)	42.6%(h)	14,076,112	37.4%
Thomas R. Wall, IV(e)	11,172,215(f)(g)	79.0%(f)(g)	24,519(h)	42.6%(h)	14,076,112	37.4%
David I. Wahrhaftig(e)	9,462,475(f)(g)	66.9%(f)(g)	0	0.0%	12,156,379	32.3%
Frank K. Bynum(e)	9,462,475(f)(g)	66.9%(f)(g)	0	0.0%	12,156,379	32.3%
Philip E. Berney(e)	9,462,475(f)(g)	66.9%(f)(g)	0	0.0%	12,156,379	32.3%
A Maurice S. Nelson, Jr.	1,693,538(i)	15.1%(i)	0	0.0%	1,693,538(i)	4.3%
Frank D. Travetto	179,591(j)	1.6%(j)	0	0.0%	179,591(i)	0.5%
Kenneth L. Henry	186,591(j)	1.7%(k)	704	1.2%	192,620(j)	0.5%
Neil McCaffery	172,591(j)	1.5%(l)	0	0.0%	172,591(j)	0.5%
James D. Hoffman(k)	167,591(j)	1.5%(m)	0	0.0%	167,591(j)	0.4%
David M. Roderick	210,410(j)	1.9%(n)	0	0.0%	210,410(j)	0.6%
John Rutledge(l)	70,564(j)	0.6%(p)	0	0.0%	70,564(j)	0.2%
William A. Marquard(m)	70,564(j)	0.6%(r)	0	0.0%	70,564(j)	0.2%
Carl L. Mason	0	0.0%	0	0.0%	0	0%
Joseph T. O'Donnell(n)	0	0.0%	0	0.0%	0	0%
Earle M. Jorgensen Company						
Stock Bonus Plan	2,439,194(o)	21.8%(o)	32,342(o)	56.2%(o)	3,008,355(p)	8.0%(p)

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All directors and executive officers of the Company as a group	2,896,523(q)(s)	25.9%(q)	704(r)	1.2%(r)	2,916,454(s)	7.2%(s)
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- (a) The percentage of shares of Holding common stock outstanding for KIA IV and Messrs. Schuchert, Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum and Berney was calculated assuming the total outstanding shares of Holding common stock was 14,133,078, (i) including shares of Holding common stock which would be outstanding assuming KIA IV exercised the two warrants referred to in note (c) below in succession and there have been no other dilution events prior to such exercise and 11,616 shares of Holding common stock owned by KEP II, and (ii) excluding 3,053,668 shares subject to stock options as of the date of this proxy statement/prospectus. The percentage of shares of Holding common stock outstanding for all other holders was calculated assuming the total outstanding shares of Holding common stock was 11,197,122, excluding shares subject to stock options and shares issuable upon the exercise of the warrants held by KIA IV as of the date of this proxy statement/prospectus. The number of shares outstanding does

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- not include 2,461,547 additional shares of Holding common stock to be issued in connection with the special contribution.
- (b) The percentage of shares of series A preferred stock outstanding was calculated assuming the total outstanding shares of series A preferred stock was 57,573, excluding 189,973 shares of series A preferred stock held in the Holding treasury as of the date of this proxy statement/prospectus.
 - (c) The pro forma number of shares of EMJ common stock beneficially held by individuals or entities as referenced in this column was calculated as of the date of this proxy statement/prospectus assuming, as applicable, (1) each share of Holding's common stock was converted into one share of EMJ's common stock; (2) each share of Holding's series B preferred stock was converted into 10.49 shares of EMJ's common stock and cash; (3) each share of series A preferred stock was converted into 8.56 shares of EMJ's common stock and cash; (4) the two outstanding warrants held by KIA IV to purchase shares of Holding common stock were exchanged for 2,935,956 shares of EMJ common stock; and (v) Holding notes in the aggregate amount of \$257,069,318 were exchanged for an aggregate of 2,695,862 shares of EMJ common stock and cash.
 - (d) The pro forma percentage of shares of EMJ common stock outstanding for all holders was calculated assuming all of the capital stock and warrants of Holding and the Holding notes were converted or exchanged as described in note (c), assuming in the case of the executive officers and directors that they have exercised their vested EMJ stock options and assuming that 37,614,418 shares of EMJ common stock are issued in the merger and financial restructuring and the public offering. We have not included the shares of EMJ common stock to be issued in connection with the special contribution.
 - (e) The business address for such person(s) is c/o Kelso & Company, 320 Park Avenue, 24th Floor, New York, New York, 10022.
 - (f) Includes 11,616 shares of common stock owned by KEP II.
 - (g) Messrs. Schuchert, Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum and Berney may be deemed to share beneficial ownership of shares of common stock owned of record by (1) KIA IV and KEP II by virtue of their status as general partners of KP IV, the general partner of KIA IV and KEP II, (2) except for Messrs. Goldberg, Wahrhaftig, Bynum and Berney, KIA III-EMJ by virtue of their status as general partners of KP III, the general partner of KIA III-EMJ and (3) except for Messrs. Goldberg, Wahrhaftig, Bynum and Berney, KIA I by virtue of their status as general partners of KP I, the general partner of KIA I. Messrs. Schuchert, Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum and Berney share investment and voting power with respect to securities owned by the Kelso funds of which they are general partners. Messrs. Schuchert, Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum and Berney disclaim beneficial ownership of the shares of common stock owned by the Kelso funds.
 - (h) Messrs. Schuchert, Nickell, Wall and Matelich may be deemed to share beneficial ownership of shares of Series A Preferred Stock or EMJ common stock owned of record by KIA I by virtue of their status as general partners of KP I, the general partner of KIA I. Messrs. Schuchert, Nickell, Wall and Matelich disclaim beneficial ownership of the shares of Series A Preferred Stock or EMJ common stock owned by KIA I.
 - (i) Represents shares of common stock issuable upon exercise of stock options that are exercisable as of the date of this proxy statement/prospectus.
 - (j) Includes shares of common stock issuable upon exercise of stock options that are exercisable as of the date of this proxy statement/prospectus.
 - (k) The business address for Mr. Roderick is US Steel Tower, Room 610, 600 Grant Street, Pittsburgh, Pennsylvania, 15219.
 - (l) The business address for Dr. Rutledge is 29 Horseshoe Road, Cos Cob, Connecticut, 06807.
 - (m) The business address of Mr. Marquard is 2199 Maysville Road, Carlyle, Kentucky 40311.
 - (n) The business address for Mr. O'Donnell is Briscoe Capital Management LLC, 295 Madison Avenue, New York, New York 10017.

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- (o) Excludes 14,925 shares of Holding common stock and 547 shares of series A preferred stock held by our stock bonus plan in directed accounts that are deemed to be beneficially owned by any of the directors or executive officers or other of our employees.
- (p) Excludes 19,613 shares of EMJ common stock that will be held by our stock bonus plan in directed accounts that are deemed to be beneficially owned by any of the directors and our executive officers.
- (q) Excludes (1) 11,167,215 shares of common stock held by Kelso funds that may be deemed to be beneficially owned by Messrs. Nickell and Wahrhaftig, and (2) shares held by Holding's stock bonus plan, except for shares held in directed accounts that may be deemed to be beneficially owned by any of the directors and our executive officers.
- (r) Excludes (1) 24,519 shares of series A preferred stock held by KIA I that may be deemed to be beneficially owned by Mr. Nickell, and (2) 32,342 shares of series A preferred stock held by Holding's stock bonus plan, except for shares held in directed accounts that may be deemed to be beneficially owned by any of our executive officers.
- (s) Excludes (1) 14,071,112 shares of EMJ common stock held by the Kelso funds that may be deemed to be beneficially owned by Mr. Nickell and Mr. Wahrhaftig, and (2) 85,439 shares of EMJ common stock held by our stock bonus plan, except for shares held in directed accounts that may be deemed to be beneficially owned by any of our executive officers.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain of Holding's stockholders, directors, executive officers and employees have interests in the merger and financial restructuring that are different from, or in addition to, the interests that apply to our stockholders generally, and that may be regarded as significant in evaluating the merger and financial restructuring proposal.

Kelso

As of March 1, 2005, the record date for the special meeting, the Kelso funds and other Kelso affiliates, including one of our directors, held an aggregate of 8,259,799 shares of Holding common stock, which represented 73.8% of the issued and outstanding shares of Holding common stock and 73.6% of the issued and outstanding shares of Holding common stock and series B preferred stock and 24,519 shares of Holding series A preferred stock, which represented 42.6% of the issued and outstanding shares of Holding series A preferred stock. The Kelso funds have agreed to vote all of the Holding capital stock owned by them in favor of the merger agreement and the merger described above. As of the record date, KIA IV also held approximately \$257,100,000 of the Holding notes (including accrued but unpaid interest) and warrants to purchase 2,937,915 shares of Holding common stock, which represented all of the outstanding Holding notes and all of the outstanding Holding warrants. Upon consummation of the merger and financial restructuring and the public offering, the Kelso funds and other Kelso affiliates will own 14,101,611 shares of our common stock, representing 37.5% of our issued and outstanding common stock, and receive \$233,505,850 in cash, assuming an initial public offering price of \$15.00 per share, the mid-point of the range shown on the cover of the public offering preliminary prospectus, and net proceeds of the offering of \$279,750,000 (before taking into account estimated offering expenses payable by EMJ, as set forth under "Use of Proceeds in the public offering preliminary prospectus).

Two of our directors, Messrs. Nickell and Wahrhaftig, are general partners of partnerships that control KIA IV and KIA III, Kelso affiliates that collectively hold a substantial portion of Holding's common stock, all of Holding's indebtedness and the warrants to purchase Holding common stock as described above. Mr. Nickell is a general partner of KP I, KP III and KP IV. Mr. Nickell is also president, chief executive officer and a director of Kelso & Companies, Inc., which is the general partner of Kelso & Company, L.P. Mr. Wahrhaftig is a general partner of KP IV and a managing director and a member of the board of directors of Kelso & Companies, Inc. KP I, KP III and KP IV are the general partners of KIA I, KIA III-EMJ and KIA IV, respectively. Mr. Nickell is a director of Holding and EMJ and will share investment and voting power with respect to shares of our common stock that will be held by KIA I, KIA III-EMJ and KIA IV upon consummation of the merger and financial restructuring and the public offering. Mr. Wahrhaftig is a director of Holding and EMJ and will share investment and voting power with respect to shares of EMJ common stock that will be held by KIA IV. Each of Messrs. Roderick, Marquard and Rutledge is one of the nominees of KIA IV on our board of directors and beneficially owns the shares of Holding common stock set forth in the "Security Ownership of Certain Beneficial Owners and Management" beginning at page 150. Messrs. Roderick and Marquard are members of the board of directors of Kelso & Companies, Inc.

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

Prior to the consummation of the merger and financial restructuring, we will enter into an agreement with the Kelso funds and Mr. Nelson pursuant to which we will provide the Kelso funds and other Kelso affiliates and

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Mr. Nelson with certain demand and piggyback registration rights with respect to their shares of our common stock, including the 14,101,611 shares (11,766,553 shares if the underwriters' over-allotment option in the public offering is exercised in full) of our common stock held by them immediately following the consummation of the merger and financial restructuring and the offering. These demand and piggyback registration rights will be exercisable upon the expiration of the lock-up agreements entered into by the Kelso funds and Mr. Nelson in connection with the public offering. Pursuant to the demand registration rights, the Kelso funds may require us to prepare and file a registration statement under the Securities Act of 1933, at our expense, covering all or a portion of their shares.

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

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

Maurice S. Nelson, Jr.

Maurice S. Nelson, Jr. is president, chief executive officer and a director of EMJ and Holding. In December 2004, EMJ paid Mr. Nelson a one time bonus of \$3,500,000 for his services to EMJ in calendar 2004 (fiscal 2005), including, without limitation, his efforts to improve the operating performance of EMJ and his efforts to implement the merger and financial restructuring and the public offering. In addition, on December 16, 2004, Holding paid Mr. Nelson a cash payment of \$3,006,000 (equal to the difference between the appraised value of the Holding common stock as of March 31, 2004 of \$13.76 and the exercise price of \$5.41 per share) in consideration of the redemption of options to purchase 360,000 shares of Holding common stock held by Mr. Nelson. Concurrently with the amendment of the consent order and after the redemption of Mr. Nelson's options, Holding amended its stock option plan to adjust the exercise price and the number of shares of Holding common stock that can be purchased pursuant to each option grant to offset the reduction in the appraised value of the Holding common stock resulting from the change in valuation methodology required by the amended consent order. As a result of this change, Mr. Nelson's remaining options to purchase 960,000 shares of Holding common stock at \$5.41 per share were converted into options to purchase 1,693,538 shares of Holding common stock at \$3.07 per share. In connection with the merger and financial restructuring, all of the issued and outstanding options to purchase shares of Holding common stock will be converted into options to purchase an equal number of shares of EMJ common stock at the same exercise price.

On December 17, 2004, Mr. Nelson entered into a retention agreement with EMJ whereby we will pay Mr. Nelson a stay bonus of \$3,000,000 on March 31, 2007 if he continues to serve as our president and chief executive officer until the second anniversary of the closing of the public offering. Mr. Nelson will also be paid this bonus if his employment with EMJ (1) terminates due to his death, (2) is terminated by us due to his permanent disability or without cause (as defined in the retention agreement and including a material breach of the transfer restriction described herein) or (3) is terminated by Mr. Nelson for good reason (as described in the retention agreement). In addition, Mr. Nelson has agreed for a period of two years following the closing of the

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public offering, to not sell any shares of our common stock acquired by him upon conversion of Holding capital stock in the financial restructuring or by the exercise of Holding stock options that are converted into our stock options in the financial restructuring. In consideration of this transfer restriction, we have extended the exercise period of Mr. Nelson's outstanding stock options two years to January 31, 2009.

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

After giving effect to the amendment to the Holding Stock option plan, Messrs. Roderick, Marquard and Rutledge hold options to purchase 176,410, 70,564 and 70,564 shares of Holding common stock, respectively, at weighted-average exercise prices of \$3.32, \$3.39 and \$3.39, respectively. Upon consummation of the merger and financial restructuring, the options held by Messrs. Roderick, Marquard and Rutledge will be converted into an equal number of options to purchase EMJ common stock at the same exercise prices as the Holding stock options held by each of them. Upon pricing of the public offering, each of Messrs. Roderick, Marquard, Rutledge, Mason and O'Donnell will receive a grant of options to purchase 10,000 shares of our common stock at an exercise price equal to the initial public offering price. These options will vest in full on the six month anniversary of the date of grant. On December 21, 2004, Holding paid Mr. Roderick a bonus of \$202,640 as compensation for his service as chairman of the Holding and EMJ boards of directors.

Holding

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

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

LEGAL MATTERS

Katten Muchin Zavis Rosenman will pass upon the validity of the shares of common stock to be issued to Holding noteholders and stockholders in the merger and financial restructuring and certain tax consequences of the merger and financial restructuring. (See "Federal Income Tax Consequences" beginning at page 106 for actual text of Katten Muchin Zavis Rosenman's opinion concerning certain tax consequences of the merger and financial restructuring.)

EXPERTS

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

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WHERE YOU CAN FIND ADDITIONAL INFORMATION ABOUT US

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

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

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholder

Earle M. Jorgensen Company

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Earle M. Jorgensen Company at March 31, 2003 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2004 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Orange County, California

May 13, 2004

except for Note 9, as to which the date is

June 15, 2004

Table of Contents**EARLE M. JORGENSEN COMPANY****CONSOLIDATED BALANCE SHEETS**

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

	March 31,		December 31, 2004
	2003	2004	
(unaudited)			
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 20,030	\$ 15,528	\$ 5,760
Accounts receivable, less allowance for doubtful accounts	97,292	133,092	173,871
Inventories	213,590	225,248	281,307
Other current assets	6,402	7,655	8,976
	<u>337,314</u>	<u>381,523</u>	<u>469,914</u>
Total current assets			
Net property, plant and equipment, at cost	113,037	112,190	117,896
Cash surrender value of life insurance policies	31,007	34,689	31,820
Debt issue costs, net of accumulated amortization	8,232	6,909	5,920
Other assets	1,151	1,169	2,501
	<u>153,426</u>	<u>164,947</u>	<u>158,137</u>
Total assets	<u>\$ 490,741</u>	<u>\$ 536,480</u>	<u>\$ 628,051</u>
LIABILITIES AND STOCKHOLDER S EQUITY			
Current liabilities:			
Accounts payable	\$ 119,815	\$ 162,648	\$ 158,060
Accrued employee compensation and related taxes	12,430	19,207	17,007
Accrued employee benefits	14,150	12,744	13,044
Accrued interest	16,186	17,352	6,627
Accrued stock bonus plan special contribution			12,601
Other accrued liabilities	2,748	8,616	16,591
Deferred income taxes	19,450	17,517	17,517
Current portion of long-term debt	2,330	3,976	2,320
	<u>187,109</u>	<u>242,060</u>	<u>243,767</u>
Total current liabilities			
Long-term debt	328,207	305,762	344,428
Deferred income taxes	15,936	17,869	17,869
Other long-term liabilities	7,505	8,148	13,382
Commitments and contingencies			
Stockholder s equity:			
Preferred stock, \$.01 par value; 200 shares authorized and unissued			
Common stock, \$.01 par value; 2,800 shares authorized; 128 shares issued and outstanding at March 31, 2003 and 2004 and December 31, 2004 (unaudited)			
Capital in excess of par value	35,284	29,503	21,194
Accumulated other comprehensive (loss) income			

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Foreign currency translation adjustment	(485)	(73)	1,268
Additional minimum pension liability	(3,399)	(2,625)	(2,625)
Accumulated deficit	(79,416)	(64,164)	(11,232)
	<u> </u>	<u> </u>	<u> </u>
Total stockholders' equity (deficit)	(48,016)	(37,359)	8,605
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 490,741	\$ 536,480	\$ 628,051
	<u> </u>	<u> </u>	<u> </u>

See accompanying notes.

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Table of Contents**EARLE M. JORGENSEN COMPANY****CONSOLIDATED STATEMENTS OF INCOME**

(dollars in thousands)

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

See accompanying notes.

Table of Contents**EARLE M. JORGENSEN COMPANY****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(dollars in thousands, except share data)

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



See accompanying notes.

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Table of Contents**EARLE M. JORGENSEN COMPANY****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(dollars in thousands)

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

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

See accompanying notes.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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Table of Contents**EARLE M. JORGENSEN COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

	Year Ended March 31,			Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
				(unaudited)	
Net income, as reported	\$ 5,354,000	\$ 2,382,000	\$ 15,252,000	\$ 5,284,000	\$ 52,932,000
Deduct: total stock-based compensation expense determined using fair value method for all awards, net of tax	(209,000)	(138,000)	(74,000)	(62,000)	
Net income, as adjusted	\$ 5,145,000	\$ 2,244,000	\$ 15,178,000	\$ 5,222,000	\$ 52,932,000

Subsequent to the adoption of SFAS No. 123, the Company modified, as defined in SFAS No. 123, the terms of its outstanding stock options by adjusting the number of shares that can be purchased pursuant to each option and the exercise price per share to offset the reduction in the appraised value of the Holding common stock resulting from the change in valuation methodology required by the amended consent order for Holding's stock bonus plan (see Note 10). As a result of this change, options to purchase 1,731,000 shares of common stock at a weighted average exercise price of \$5.92 per share were converted into options to purchase 3,053,668 shares of Holding's common stock at a weighted average exercise price of \$3.35 per share. In accordance with SFAS No. 123, which provides that modifications made to the outstanding options require a stock compensation charge for the difference between the intrinsic value of the outstanding stock options before the modifications and the fair value of the stock options after the modifications to the outstanding stock options, the Company recorded a stock compensation charge of \$1,557,000 during the three months ended December 31, 2004. In connection with the merger and financial restructuring (see Note 10), all of the issued and outstanding options to purchase shares of Holding common stock will be converted into options to purchase an equal number of shares of the Company's common stock at the same exercise price.

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

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The Company records deferred taxes based upon differences between the financial statement and tax basis of assets and liabilities pursuant to SFAS No. 109, *Accounting for Income Taxes*, as though it files on a separate basis. Any differences in deferred taxes determined on a separate basis and the actual payments made or received under the Tax Allocation Agreement are accounted for as an equity adjustment between the Company and Parent. There were no such differences in fiscal year 2004. Deferred taxes are also recorded for the future benefit of Federal and state tax losses and tax credit carryforwards. Consistent with SFAS No. 109, a valuation allowance

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

has been recognized for certain deferred tax assets, which management believes are not likely to be realized (see Note 6).

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

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

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

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

Impact of Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *ShareBased Payment*. (SFAS No. 123(R)), which replaces FASB Statement No. 123, *Accounting for Stock-Based Compensation*, supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* and amends SFAS No. 95, *Statement of Cash Flows* (SFAS No. 123(R)). Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123, which the Company adopted in December 2004. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values (i.e., pro forma disclosure is no longer an alternative to financial statement recognition). SFAS No. 123(R) is effective for public companies at the beginning of the first interim or annual period beginning after June 15, 2005. Nonpublic companies will be required to adopt SFAS No. 123(R) at the beginning of the first annual period beginning after December 15, 2005. The adoption of this revision to SFAS No. 123 is not expected to have a material impact on the consolidated financial statements.

In December 2003, the FASB issued SFAS No. 132 (revised December 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits* (SFAS No. 132(R)). This statement amends the disclosure requirements of SFAS No. 132 to require more details about

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retirement plan assets, benefit obligations, cash flows and other relevant information. SFAS No. 132(R) is effective for years ending after December 15, 2003, except certain benefit payment and international plan disclosures that are effective for fiscal years after June 15, 2004. The adoption of the disclosure provisions of SFAS No. 132(R) did not have a material effect on the Company's consolidated financial statements.

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

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

did not have an effect on the accompanying consolidated financial statements as of and for the periods ended March 31, 2004 and December 31, 2004.

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

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

2. Inventories

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

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

3. Net Property, Plant and Equipment

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

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

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

4. Cash Surrender Value of Life Insurance

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

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

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

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

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Long-Term Debt

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

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

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

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

On May 22, 2002, the Company completed the issuance and sale of 9³/₄% Senior Secured Notes due 2012 totaling \$250,000,000, the proceeds from which were used to (i) redeem \$105 million in aggregate principal amount of the outstanding 9¹/₂% senior notes, plus call premium and accrued interest, (ii) prepay \$96 million of the term loan plus accrued interest, and (iii) terminate the interest rate swap agreement. As a result of this refinancing transaction, the Company recorded a loss of \$12,278,000 related to the early retirement of debt, consisting of the call premium paid, a payment to terminate the interest rate swap agreement, the write-off of deferred financing costs, and certain other expenses incurred in connection with the refinancing transaction. No tax benefit was recorded in connection with this loss due to the uncertainty in realizing the

resulting deferred tax asset.

Credit Agreements

The Company's revolving credit facility (Credit Agreement), allows maximum borrowings of \$200 million, including letters of credit (\$8,560,000 outstanding at March 31, 2004 and \$9,429,000 outstanding at December 31, 2004). Borrowings under the Credit Agreement bear interest at a base rate (generally defined as the greater of bank's prime lending rate or 0.5% over the Federal Funds Rate) plus 1.25% or the adjusted Eurodollar rate plus

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

The Company's Canadian subsidiary maintains a one year renewable credit facility (the Canadian Facility) totaling C\$9,000,000 including (i) a revolving credit facility of C\$5,500,000, (ii) a term financial instruments facility of C\$3,000,000 for hedging foreign currency and rate fluctuations (unused as of March 31, 2004), and (iii) a special credit facility for the issuance of a letter of guarantee up to C\$500,000 in connection with the lease for the Toronto facility. Borrowings under the revolving credit facility are limited to an amount equal to 80% of eligible trade receivables (as defined) plus 40% of eligible inventories (as defined, and limited to C\$1,500,000), are repayable on demand, and bear interest at the bank's annual prime lending rate plus 0.50%. At March 31, 2004, the interest rate on the revolving credit facility was 4.50%. The revolving credit facility contains financial covenants in respect of maintenance of minimum equity and a debt-to-equity ratio (as defined) and has other restrictions similar to those under the amended Credit Agreement, as described above.

Senior Secured Notes

On May 22, 2002, the Company refinanced its 9¹/₂% senior notes and variable rate term loan by issuing \$250 million of 9³/₄% Senior Secured Notes due June 1, 2012. The 9³/₄% Senior Secured Notes were issued at par and interest payments are made semi-annually on June 1 and December 1, commencing on December 1, 2002. The 9³/₄% Senior Secured Notes are secured by a first-priority lien (subject to permitted liens) on substantially all of the Company's existing and future acquired unencumbered property, plant and equipment and may be redeemed by the Company under certain conditions and with certain restrictions at varying redemption prices. The Indenture to the 9³/₄% Senior Secured Notes contains certain covenants which limit, among other things, the incurrence of liens and other indebtedness, mergers, consolidations, the sale of assets, investments and loans, dividends and other distributions, and certain transactions with affiliates.

Derivative Instrument

In June 1998, the Company entered into an interest rate swap agreement with Deutsche Bank Trust Company Americas (DBTCA) that effectively fixed the interest rate on the variable rate term loan at approximately 9.05% through June 2003 (the Fixed Rate). Such agreement required DBTCA to make payments

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to the Company each quarter in an amount equal to the product of the notional amount of \$95 million and the difference between the three month London Interbank Offered Rate and 3.25% (Floating LIBOR) and the Fixed Rate, if the Floating LIBOR was greater than the Fixed Rate on a per diem basis. If Floating LIBOR was lower than the Fixed Rate, the Company was required to pay DBTCA an amount equal to the product of the notional amount and the difference between the Fixed Rate and Floating LIBOR on a per diem basis. Under the provisions described above, net payments (receipts) in fiscal years 2001 and 2002 were \$(721,000) and \$2,248,000, respectively. Because the interest rate swap agreement was terminated in May 2002 in connection with the prepayment of the Company's term loan resulting from the issuance and sale of the 9³/₄% Senior Secured Notes described above, no quarterly settlements were required in fiscal year 2003.

The interest rate swap agreement was considered a highly effective cash flow hedge under the provisions of SFAS No. 133, as amended, which was adopted by the Company effective April 1, 2001. Under SFAS No. 133, the effective portion of gain or loss resulting from changes in the fair value of the interest rate swap agreement is reported in other comprehensive income while the ineffective portion is recognized in net income. For the year ended March 31, 2002, a loss of \$2,925,000 was recognized in other comprehensive income and a loss of \$100,000 was recognized in net income. As of March 31, 2002, the interest rate swap agreement represented a long-term liability with a fair market value of \$3,025,000, as calculated under the provisions of SFAS No. 133. In connection with the issuance and sale of the 9³/₄% Senior Secured Notes, the Company paid \$3,025,000 to terminate the interest rate swap agreement, which was recognized as part of the loss of \$12,278,000 related to the early retirement of debt.

Other

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

6. Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the Company had an alternative minimum tax carryforward of approximately \$2,364,000, which can be utilized over an indefinite period of time.

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

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

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

7. Employee Benefit Plans

Stock Bonus Plan

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

The Company also has a supplemental stock bonus plan to include highly compensated employees and other employees, who are not eligible to participate in the plan. Contributions payable, vesting and distributions in the supplemental plan are comparable to those under the Plan. Contributions under this supplemental plan are made in cash and are held in an irrevocable trust. For the fiscal years ended March 31, 2002, 2003 and 2004, contributions payable totaled \$76,000, \$78,000 and \$90,000, respectively.

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Table of Contents**EARLE M. JORGENSEN COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Pension Plans

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

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

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

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

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

The Hourly Plan is 100% invested in Wells Fargo Asset Allocations Collective Investment Fund (the Fund). The Fund seeks long-term total return, consistent with reasonable risk, by shifting investments among stocks and U.S. Treasury long-term bonds using a quantitative asset allocation strategy. The Fund invests in common stocks that comprise the S&P 500 Index and bonds that comprise the Lehman Brothers 20+ Treasury Bond Index. The Fund will remain near its strategic allocation of 60% stocks and 40% bonds the majority of the time to maximize the probability of achieving its long-term risk and return objectives.

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Table of Contents**EARLE M. JORGENSEN COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

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

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

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

The return on assets assumption assumes a long term return of 9.0% on equity investments and 7% on government bond investments with a 60.0% equity and 40% bond target investment mix. Long-term rates of return on equity investments are trending approximately 7.0% above current CPI, while long-term rates of return on government bond investments are trending approximately 5.0% above current CPI. Current CPI has been approximately 2.0% for the last few years.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Postretirement Benefit Plan

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

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

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

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

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Net periodic pension cost (credit)	\$ 249,000	\$ 498,000	\$ 619,000	\$ 563,000	\$ 611,000
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Table of Contents**EARLE M. JORGENSEN COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

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

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

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

8. Commitments and Contingencies

Lease Commitments

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

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Table of Contents**EARLE M. JORGENSEN COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

Other Commitments

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

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

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

Governmental Matters

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

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

Environmental Contingencies

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

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Although it is possible that new information or future developments could require the Company to reassess its potential exposure relating to all pending environmental matters, management believes that, based upon all currently available information, the resolution of such environmental matters will not have a material adverse effect on the Company's financial condition, results of operations or liquidity. The possibility exists, however, that new environmental legislation and/or environmental regulations may be adopted, or other environmental conditions may be found to exist, that may require expenditures not currently anticipated and that may be material.

9. Legal

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

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

10. Subsequent Events (unaudited)

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

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

contribution of Company common stock upon consummation of the financial restructuring) would offset the adverse effect on participants in the stock bonus plan, because the change in methodology would cause a

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

Merger and Financial Restructuring The Company, Holding and Kelso have negotiated a merger and financial restructuring transaction (approved by the boards of the Company and Holding on December 16, 2004) to be consummated concurrently with an initial public offering (approved by the Company's board on September 27, 2004). The transaction will involve a merger between Holding and a wholly owned subsidiary of the

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company pursuant to a merger agreement dated as of December 17, 2004, amended as of January 28, 2005, and further amended as of March 3, 2005. Pursuant to the merger agreement (1) all issued and outstanding shares of Holding's common stock will be converted into shares of the Company's common stock and (2) all issued and outstanding shares of Holding's 13% Cumulative Preferred Stock, or the series A preferred stock, and Holding's Variable Rate Cumulative Preferred stock, or the series B preferred stock, will be converted into a combination of cash and shares of the Company's common stock. In addition, pursuant to an exchange agreement dated as of December 17, 2004, and amended as of March 3, 2005, Kelso Investment Associates IV, L.P. (KIA IV) will, concurrently with and subject to the completion of the merger, exchange all of the outstanding Series A Variable Rate Notes of Holding, or the Holding notes, for a combination of cash and shares of the Company's common stock and will exchange all rights pursuant to warrant agreements executed by Holding entitling KIA IV to purchase shares of the common stock of Holding for shares of the Company's common stock. Each of the Kelso funds will vote all shares of Holding capital stock held by it in favor of the adoption and approval of the merger agreement and the merger. The value of the shares of our common stock for use as merger consideration will be determined by the price at which a share of our common stock is sold in our initial public offering to be consummated concurrently with the merger. The net proceeds of the initial public offering will be allocated to the payment of the cash consideration for the series A preferred stock, series B preferred stock and Holding notes upon consummation of the merger and financial restructuring in accordance with the terms of the merger agreement and the exchange agreement.

The consummation of the merger and financial restructuring is subject to various remaining conditions, including the approval of the merger and financial restructuring by the holders of Holding's common stock and series B preferred stock voting together as a class (including and excluding shares held by the Kelso funds and other Kelso affiliates) and the holders of the series A preferred stock voting separately as a class (including and excluding shares held by the Kelso funds and other Kelso affiliates). In addition, the consummation of the merger and financial restructuring and the initial public offering are conditioned upon one another. There is no assurance that the proposed merger and financial restructuring will be approved by the requisite vote of Holding's stockholders, that the initial public offering will be completed successfully or that the other conditions to completion of the transaction will be satisfied.

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

The Company's obligation in regards to the stock contribution discussed in Note 10 is to contribute up to 2,461,547 shares of the Company's common stock to the stock bonus plan. The per share price of common stock used in determining the value of the contribution was \$7.15 per share. In fiscal 2006 and 2007, when the stock contributions are made, if the market price of the common stock is greater than (less than) the price used for the initial valuation of the contribution, the Company is required to record an additional expense (benefit) for the difference between the then current market price and the initial share price. The Company will adjust its remaining stock contribution obligation on a quarterly basis until the share contribution has been fulfilled.

Stock-Based Compensation During December 2004, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, using the modified-prospective transition method, for all employee awards granted, modified or settled after April 1, 2004, as permitted by SFAS No. 148, *Accounting for Stock-Based Compensation*

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Transition and Disclosure An Amendment of FASB Statement No. 123. In accordance with SFAS No. 123, the Company estimated the fair value of options using an option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free interest rate, and the expected life of the options. The Company's common stock is not currently traded on a national securities exchange or an over-the-counter market, and therefore an effectively zero percent volatility was used. The dividend yield is excluded from the calculation, as it is the Company's intention to retain all future earnings. All stock options had fully vested prior to the adoption of SFAS No. 123.

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

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

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

file a voluntary clean-up application with the Texas Commission for Environmental Quality, or TCEQ, that commits us to clean-up the soil and groundwater at the site for the benzene and chlorinated solvents to acceptable levels in accordance with TCEQ requirements;

fund an escrow account with \$0.5 million to be available to complete required clean-up and subsequent monitoring activities; and

indemnify the buyer for pre-existing environmental issues on the site based on applicable TCEQ industrial/commercial standards.

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

Related Party Transaction On December 16, 2004, the Company amended its advisory agreement with Kelso and paid Kelso a fee of \$6,250,000 in connection with termination of the Company's obligation to pay fees

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

to Kelso under the advisory agreement. The obligations of Kelso to provide financial advisory services and of the Company to reimburse expenses of and provide indemnification to Kelso remained in effect.

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

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

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

Table of Contents**EARLE M. JORGENSEN COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

	December 31, 2004		
	Actual	Pro Forma (unaudited)	Pro Forma As Adjusted
	(in thousands, except per share data)		
Debt			
Short-term debt	\$ 2,320	\$ 2,320	\$ 2,320
Long-term debt			
Revolver	91,558	91,558	91,558
9 ³ / ₄ % senior secured notes due June 1, 2012	250,000	250,000	250,000
Industrial development bonds	2,870	2,870	2,870
Variable rate senior notes due June 30, 2013		245,882	
	<u>344,428</u>	<u>590,310</u>	<u>344,428</u>
Total long-term debt			
Total debt	346,748	592,630	346,748
Stockholders' equity (deficit)			
Preferred and common stock subject to redemption		75,494	
Series A preferred stock, not subject to redemption		21,217	
Series B preferred stock, not subject to redemption		2,316	
Common stock		107	
Capital in excess of par value	21,194	78,441	352,525
Reclassification to value		(16,641)	
Preferred stock, \$.01 par value; 200 shares authorized and no shares issued, actual and adjusted			
Common stock, \$.01 par value; 2,800 shares authorized and 128 shares issued and outstanding, actual; 80,000,000 shares authorized and 37,848,598 shares issued and outstanding, as adjusted			38
Foreign currency translation adjustment	1,268	1,268	1,268
Additional minimum pension liability	(2,625)	(2,625)	(2,625)
Accumulated deficit	(11,232)	(335,150)	(343,004)
Treasury stock		(65,441)	
	<u>8,605</u>	<u>(241,014)</u>	<u>8,202</u>
Total stockholders' equity (deficit)			
Total capitalization	\$ 355,353	\$ 351,616	\$ 354,950

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The pro forma capitalization gives effect to the financial restructuring to account for the transfer of assets and exchange of shares between entities, the Company and Holding, under common control. As such, the transaction will be accounted for in a manner similar to a pooling-of-interests. Accordingly, subsequent to the completion of the financial restructuring, the financial position and results of operations of Holding will be included in the Company's consolidated financial statements on a historical basis.

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EARLE M. JORGENSEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The adjustments to effect the merger and financial restructuring (based on shares and values at December 31, 2004), assuming that the public offering price will be \$15.00 per share of EMJ common stock the mid-point of the range described on the cover of the preliminary prospectus and net proceeds of the public offering are \$279,750,000, (before taking into account estimated offering expenses payable by us, as set forth under "Use of Proceeds" in the public offering preliminary prospectus) include the following:

Exchange of all issued and outstanding Holding debt and accrued interest thereon totaling \$257,069,318 for \$214,864,512 in cash and \$2,813,654 shares of EMJ common stock.

Exchange of warrants to purchase 2,937,915 shares of Holding common stock for 2,935,956 shares of EMJ common stock, net of the exercise price of \$0.01 per share.

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

Conversion of 59,893 shares of Holding's series A preferred stock (not including 187,654 shares held in treasury and retired) for \$682.60 in cash and 8.94 shares of EMJ common stock. The difference between the number of shares of Holding's series A preferred stock at December 31, 2004 and the number of shares at the date of the merger and financial restructuring is attributable to the shares repurchased from former employees who cashed out their stock bonus plan.

Conversion of 28,718 shares of Holding's series B preferred stock (not including 2,300 held in treasury and retired) for \$835.82 in cash and 10.95 shares of EMJ common stock. The difference between the number of shares of Holding's series B preferred stock at December 31, 2004 and the number of shares at the date of the merger and financial restructuring is attributable to the shares repurchased from former employees who cashed out their stock bonus plan.

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

Upon completion of the merger and financial restructuring and the public offering, subject to the assumptions herein, 37,848,598 shares of EMJ common stock will be issued and outstanding.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Earle M. Jorgensen Holding Company, Inc.

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

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

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

/s/ ERNST & YOUNG LLP

Orange County, California

August 20, 2004

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Table of Contents**EARLE M. JORGENSEN HOLDING COMPANY, INC.****CONSOLIDATED BALANCE SHEETS**

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

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

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Series B preferred stock, \$.01 par value, variable rate cumulative (liquidation value of \$28,747); 100,000 shares authorized; 27,080, and 28,747 shares issued at March 31, 2003 and 2004, respectively (12 and 14 shares at stated value not subject to redemption at March 31, 2003 and 2004, respectively)

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

See accompanying notes.

Table of Contents**EARLE M. JORGENSEN HOLDING COMPANY, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(dollars in thousands)

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

See accompanying notes.

Table of Contents**EARLE M. JORGENSEN HOLDING COMPANY, INC.****Consolidated Statements of Preferred and Common Stock Subject to Redemption in Certain Circumstances, Series A Preferred Stock, Series B Preferred Stock, Common Stock, Capital in Excess of Par Value, Stock Subscribed, Reclassification to Value Preferred and Common Stock Subject to Redemption in Certain Circumstances to its Redemption Price, Accumulated Other Comprehensive (Loss)/Income, Accumulated Deficit and Treasury Stock**

(dollars in thousands)

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

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

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Table of Contents**EARLE M. JORGENSEN HOLDING COMPANY, INC.****Consolidated Statements of Preferred and Common Stock Subject to Redemption in Certain Circumstances, Series A Preferred Stock, Series B Preferred Stock, Common Stock, Capital in Excess of Par Value, Stock Subscribed, Reclassification to Value Preferred and Common Stock Subject to Redemption in Certain Circumstances to its Redemption Price, Accumulated Other Comprehensive (Loss)/Income, Accumulated Deficit and Treasury Stock (continued)**

(dollars in thousands)

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

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

circumstances
to its
redemption
value

Balance at December 31, 2004 (unaudited)	75,494	21,217	2,316	107	78,441		(16,641)	(1,357)	(335,150)	(65,441)	(241,014)
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See accompanying notes.

Table of Contents**EARLE M. JORGENSEN HOLDING COMPANY, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(dollars in thousands)

	Year Ended March 31,			Nine Months Ended	
	2002	2003	2004	January 1, 2004	December 31, 2004
					(unaudited)
Operating activities:					
Net income (loss)	\$ (24,505)	\$ (32,871)	\$ (23,562)	\$ (20,077)	\$ 38,074
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:					
Special contribution to stock bonus plan					17,327
Loss on early retirement of debt		12,278			
Depreciation and amortization	11,449	11,369	11,284	8,488	8,780
Amortization and write-off of debt issue costs included in interest expense	1,792	1,416	1,323	992	989
Accrued postretirement benefits	249	498	619	563	611
Gain on sale of property, plant and equipment	(36)	(183)	(1,335)	(1,194)	(1,452)
Stock-based compensation					1,557
Provision for bad debts	2,434	2,649	2,880	2,338	2,153
Increase in cash surrender value of life insurance over premiums paid	(2,174)	(2,242)	(5,276)	929	4,016
Interest paid in-kind on senior subordinated note principal	28,601	34,059	38,223	19,235	20,509
Changes in operating assets and liabilities:					
Decrease (increase) in accounts receivable	15,510	(10,662)	(38,680)	(10,568)	(42,932)
Decrease (increase) in inventories	31,712	(26,722)	(11,658)	(13,952)	(56,059)
Decrease (increase) in other current assets	1,012	134	(1,932)	(904)	(1,321)
(Decrease) increase in accounts payable and accrued liabilities and expenses	(52,163)	42,090	55,912	(14,666)	(15,738)
Decrease (increase) in non-trade receivables	1,681	(1,637)	679	(425)	
Other	(967)	1,109	1,144	2,056	793
Net cash provided by (used in) operating activities	14,595	31,285	29,621	(27,185)	(22,693)
Investing activities:					
Additions to property, plant and equipment	(24,531)	(15,335)	(10,530)	(6,781)	(19,606)
Proceeds from the sale of property, plant and equipment	116	2,440	1,535	1,388	6,714
Premiums paid on life insurance policies	(1,461)	(1,335)	(1,298)	(1,198)	(1,271)
Proceeds from redemption of life insurance policies	1,124	195	2,892	2,300	124
Net cash used in investing activities	(24,752)	(14,035)	(7,401)	(4,291)	(14,039)
Financing activities:					
Net borrowings (payments) under revolving loan agreements	25,111	(9,958)	(19,399)	25,000	39,125
Repayment of senior subordinated notes			(25,390)	(25,390)	
Proceeds from issuance of senior notes		250,000			
Repayment of term loan		(96,000)			
Repayment of senior notes		(105,000)			
Payment of debt issue costs		(10,669)			
Other costs paid in connection with early retirement of debt		(9,596)			
Other debt payments, net	(2,400)	(1,400)	(1,400)	(1,400)	(2,115)
Purchase of stock, net	(14,963)	(10,587)	(5,781)	(4,762)	(9,866)

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Net cash provided by (used in) financing activities	7,748	6,790	(51,970)	(6,552)	27,144
Effect of exchange rate changes on cash	2	1	(17)	28	75
Net increase (decrease) in cash and cash equivalents	(2,407)	24,041	(29,767)	(38,000)	(9,513)
Cash and cash equivalents at beginning of period	23,779	21,372	45,413	45,513	15,646
Cash and cash equivalents at end of period	\$ 21,372	\$ 45,413	\$ 15,646	\$ 7,413	\$ 6,133

See accompanying notes.

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

December 31, 2004 is unaudited)

1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

Stock-Based Compensation During December 2004, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation* using the modified-prospective transition method, for all employee awards granted, modified or settled after April 1, 2004, as permitted by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure- An Amendment of FASB Statement No. 123*. In accordance with SFAS No. 123, the Company estimated the fair value of options using an option-pricing model, which takes into account assumptions such as the dividend yield, the risk-free

interest rate, and the expected life of the options. The Company's common stock is not currently traded on a national securities exchange or an over-the-counter market, and therefore an effectively zero percent volatility was used. The dividend yield is excluded from the calculation, as it is the Company's intention to retain all future earnings. All stock options had fully vested prior to the adoption of SFAS No. 123.

Table of Contents**EARLE M. JORGENSEN HOLDING COMPANY, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

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

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

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

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

Impact of Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123(R)). SFAS No. 123(R), which replaces SFAS No. 123, *Accounting for Stock-Based Compensation*, supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* and amends SFAS No. 95, *Statement of Cash Flows*. Generally, the approach in Statement 123(R) is similar to the approach described in SFAS No. 123, which the Company adopted in December 2004. However, SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values (i.e., pro forma disclosure is no longer an alternative to financial statement recognition). SFAS No. 123(R) is effective for public companies at the beginning of the first interim or annual period beginning after June 15, 2005. Nonpublic companies will be required to adopt SFAS No. 123(R) at the beginning of the first annual period beginning after December 15, 2005. The adoption of this revision to SFAS No. 123 is not expected to have a material impact on the consolidated financial statements.

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

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

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

2. Inventories

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

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

3. Net Property, Plant and Equipment

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

March 31, March 31, December 31,

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

The in-process costs at March 31, 2004 and December 31, 2004 are primarily attributable to progress payments made on equipment for EMJ s tube honing facility in Tulsa, Oklahoma and building renovation in

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EARLE M. JORGENSEN HOLDING COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

EMJ's Tulsa, Oklahoma service center. December 31, 2004 in-process costs also include costs associated with renovation of the Company's replacement facility in Houston, Texas, expansion of EMJ's Wrightsville, Pennsylvania facility and the new construction of EMJ's building in Birmingham, Alabama. As of March 31, 2004 and December 31, 2004 such costs include \$1,300,000 and \$9,038,000, respectively. Estimated remaining costs to be incurred in connection with these projects totaled \$800,000 at March 31, 2004 and at December 31, 2004 these projects were essentially completed.

4. Cash Surrender Value of Life Insurance