RELIANCE STEEL & ALUMINUM CO
Form DEF 14A
April 09, 2008

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO.___)

Filed by the Registrant þ

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Check the appropriate box:

þ Definitive Proxy Statement
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Reliance Steel & Aluminum Co.

(Name of Registrant as Specified In Its Charter)

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RELIANCE STEEL & ALUMINUM CO.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 21, 2008

To the Shareholders of Reliance Steel & Aluminum Co.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the shareholders of Reliance Steel & Aluminum Co. (Reliance or Company) will be held on Wednesday, May 21, 2008, at 10:00 a.m., California time, at The Omni Hotel, 251 South Olive Street, Los Angeles, California 90012, for the following purposes:

1. To elect five directors to serve for two years and until their successors have been duly elected and qualified. The nominees for election to the Board are Thomas W. Gimbel, David H. Hannah, Mark V. Kaminski, Gregg J. Mollins, and Andrew G. Sharkey, III.

2. To approve the Corporate Officers Bonus Plan.

3. To ratify KPMG LLP as our independent registered public accounting firm to perform the annual audit of our 2008 financial statements.

4. To transact such other business as may properly come before the Annual Meeting or adjournments thereof.

Only holders of shares of record on the books of Reliance at the close of business on April 1, 2008 are entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof. You may continue to trade in our Common Stock during the solicitation period.

We have enclosed a Proxy Statement and a proxy in card form with this Notice. All shareholders are invited to attend the Annual Meeting. To make it easier, you may vote on the Internet or by telephone. The instructions attached to your proxy card describe how to use these convenient services. Of course, if you prefer, you may vote by mail by completing your proxy card and returning it in the enclosed envelope to which no postage need be affixed if it is mailed in the United States. Even if you give such proxy, you have the right to vote in person if you attend the Annual Meeting.

By Order of the Board of Directors,

Yvette M. Schiotis
Secretary

Los Angeles, California
April 11, 2008

RELIANCE STEEL & ALUMINUM CO.
350 South Grand Avenue
Suite 5100
Los Angeles, California 90071

PROXY STATEMENT

FOR ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 21, 2008

We are furnishing this statement because the Board of Directors of Reliance Steel & Aluminum Co. is soliciting proxies for use at the Annual Meeting of Reliance shareholders to be held at The Omni Hotel, 251 South Olive Street, Los Angeles, California 90012, on Wednesday, May 21, 2008 at 10:00 a.m., California time, or at any adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting.

INFORMATION CONCERNING PROXY

The Board of Directors selected the persons named as proxyholders on the enclosed proxy card to vote the shares of Common Stock represented by the proxies at the Annual Meeting. Reliance will pay the cost to solicit the proxies. The Board of Directors will solicit proxies by mail, by telephone, and electronically via the Internet. In addition, certain of our officers and agents may solicit proxies by telephone, telegraph, and personal interview (the cost of which will be nominal). We expect that banks, brokerage houses and other custodians, nominees and fiduciaries will forward soliciting material to beneficial owners and obtain authorizations to execute proxies. We will reimburse the out-of-pocket expenses they incur to forward the proxy materials.

We intend to present at the Annual Meeting only the following matters: (1) the election of five directors to serve for the ensuing two years and until their successors are duly elected and qualified, (2) a proposal to approve a new Corporate Officers Bonus Plan, and (3) the ratification of KPMG LLP as our independent registered public accounting firm to perform the annual audit of our 2008 financial statements. Unless you instruct us otherwise on the proxy, each proxy will be voted **FOR** the election of all of the five nominees named herein as directors, **FOR** the approval of the Corporate Officers Bonus Plan, and **FOR** the ratification of KPMG LLP as our independent registered public accounting firm for 2008. If other matters properly come before the meeting, including but not limited to, any matter for which we did not receive notice by December 16, 2007, each proxy will be voted by the named proxyholders in their discretion in a manner that they consider to be in our best interests.

If you execute a proxy, the proxy may be revoked at any time before it is voted (i) by filing with the Corporate Secretary of Reliance either an instrument revoking the proxy or a proxy bearing a later date, duly executed, or (ii) by giving written notice to the Corporate Secretary of Reliance of the death or incapacity of the shareholder who executed the proxy. Any such notice should be sent or delivered to the above address. In addition, the powers of a proxyholder are suspended if the person executing the proxy is present at the Annual Meeting and elects to vote in person.

We intend to mail this Proxy Statement and accompanying material to each shareholder on or about April 11, 2008. An Annual Report with audited financial statements for the year ended December 31, 2007 including a letter to the shareholders from the Chairman and Chief Executive Officer, the President and Chief Operating Officer and the Executive Vice President and Chief Financial Officer is included with this Proxy Statement and available electronically. That report and letter are not incorporated in, and are not a part of, this Proxy Statement and do not constitute proxy-soliciting material.

INFORMATION CONCERNING RELIANCE S SECURITIES

Our only voting securities are shares of common stock, no par value. As of December 31, 2007, we had a total of 74,906,824 shares issued and outstanding, all of which may be voted at the Annual Meeting. Only holders of shares of record on our books at the close of business on April 1, 2008 will be entitled to vote at the Annual Meeting.

In the election of directors, you as a shareholder are entitled to cumulate your votes for candidates whose names have been placed in nomination prior to the voting, if you give notice at the Annual Meeting before the voting of your intention to cumulate votes. Cumulative voting entitles every shareholder who is otherwise entitled to vote at an election of directors to cumulate their votes, that is, to give any one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which the shareholder s shares are normally entitled, or to distribute those cumulated votes on the same principle among as many candidates as a shareholder thinks fit. If any shareholder gives notice of the intention to cumulate votes, all shareholders may cumulate their votes for candidates. On all matters other than the election of directors, each share has one vote.

A plurality of the aggregate number of votes represented by the shares present at the Annual Meeting in person or by proxy must vote to elect directors. That means that the five individuals receiving the largest number of votes cast will be elected as directors, whether or not they receive a majority of the votes cast. The affirmative vote of a majority of the votes cast is required to (1) approve the proposed Corporate Officers Bonus Plan and (2) to ratify the engagement of KPMG LLP as our independent registered public accounting firm.

ELECTION OF DIRECTORS

Our Bylaws divide the Board of Directors into two classes, which are to be as nearly equal in number as possible, and require one class to be elected each year and to serve for a two-year term. The terms of six of the incumbent directors expire as of the date of the Annual Meeting, but Joe D. Crider has determined to retire and not stand for re-election. **The Nominating and Governance Committee and the Board of Directors have nominated the following persons to be nominees for election at the Annual Meeting as directors: Thomas W. Gimbel, David H. Hannah, Mark V. Kaminski, Gregg J. Mollins, and Andrew G. Sharkey, III.** These nominees have agreed to serve as directors. The term of office for each director elected at the Annual Meeting will be two years, until the second following Annual Meeting of Shareholders and until their successors are duly elected and qualified.

Unless you otherwise instruct the proxyholders in the proxy, your proxy will be voted **FOR** the above-named nominees. In voting the proxies for election of directors, the proxyholders have the right to cumulate the votes for directors covered by the proxies (unless otherwise instructed) and may do so if they think that is desirable.

Four of the nominees for the position of director expiring in 2010 were elected to their present term of office by vote of the shareholders at the Annual Meeting of Shareholders held in May 2006. Andrew G. Sharkey, III was appointed to the Board by the other directors in July 2007, to provide a transition period before the retirement of Joe D. Crider. Mr. Sharkey was recommended by several directors and interviewed by the Nominating and Governance Committee before the Nominating and Governance Committee recommended that he be selected to serve on the Board of Directors. Although we do not expect that any nominee will decline or be unable to serve as a director, if any nominee declines or is unable to serve, the proxies will be voted, at the Annual Meeting or any adjournment thereof, for such other person as the Board of Directors may select or, if no other person is so selected, as the proxyholders may, in their discretion, select; provided that the proxyholders will not vote for more than five nominees.

Certain information with respect to each nominee is set forth in Management below. The Board of Directors recommends that shareholders vote FOR the election of each nominee as a director. Unless otherwise indicated

on your proxy, the proxyholders will vote your proxy FOR the election of all named nominees.

PROPOSAL TO APPROVE
CORPORATE OFFICERS BONUS PLAN

On February 13, 2008, the Compensation and Stock Option Committee recommended to the non-management directors on the Company s Board of Directors that the Company s corporate officers be removed from the Company s Key-Man Incentive Plan and that a new Corporate Officers Bonus Plan (the Bonus Plan) be adopted to provide for annual cash incentive bonuses for the Company s corporate officers. The Company s shareholders are being asked to approve this new pay-for-performance plan. The following summary of the Bonus Plan describes its material features, but is not intended to be complete and is qualified in its entirety by reference to the Bonus Plan, attached as Appendix A to this Proxy Statement.

The Compensation and Stock Option Committee determined that it would be appropriate to develop a new bonus plan for the corporate officers based on the Company s annual return on beginning shareholders equity, which the Compensation and Stock Option Committee has identified as the most meaningful measurement to evaluate the performance of the management of the Company. Specifically, the Bonus Plan would provide a quantitative calculation for determining the amount of the bonuses to be paid based on the annual return on beginning shareholders equity. The Compensation and Stock Option Committee developed a sliding scale to calculate the percentage of a named executive officer s base salary that would be paid as an incentive bonus for any particular year. This same sliding scale has been applied under the Key-Man Incentive Plan for the previous two years to determine the maximum amount to be paid as a bonus to the extent that the performance goals were met. The target bonus is considered to be 100% of the named executive officer s base salary. This target would be attained if the Company s return on beginning shareholders equity were 12%. No bonus would be payable unless the return on beginning equity is 6% or more, and the percent of base salary payable as a bonus would vary from a minimum of 14%, if the minimum return on beginning equity were achieved, to 300%, if the return on beginning equity were 25% or more. The Company s average return on beginning shareholders equity was approximately 12.8% over a 27-year period through 2005. No other performance criteria were established for the named executive officers to achieve to qualify for this cash bonus. All of the named executive officers would receive the same percent of base salary as a bonus to the extent that the performance goal is achieved. The Bonus Plan also provides for incentive bonuses to be paid to other corporate officers of the Company, with the percentage of base salary payable to each such officer determined within the sole discretion of the Compensation and Stock Option Committee.

Purpose of the Bonus Plan.

The purpose of the Bonus Plan is to be a non-equity, pay-for-performance program designed to motivate corporate officers, including named executive officers, to enhance total shareholder return and shareholder value and to ensure the Company s ability to attract and retain superior officers by providing an annual cash bonus based on Reliance s performance, with the bonus to be paid by March 15 of the following year. The Bonus Plan is designed to provide cash compensation to corporate officers at levels that are competitive with that provided by other companies of similar size and complexity.

Administration of the Plan.

The Bonus Plan is currently administered by the Compensation and Stock Option Committee and all awards under the Bonus Plan are subject to the approval of the non-management members of the Board of Directors. The Compensation and Stock Option Committee, acting as the administrator, has full authority to interpret the provisions of the Bonus Plan consistent with qualification of the Bonus Plan as performance-based compensation under Section 162(m) of the Internal Revenue Code. The Compensation and Stock Option Committee must certify in writing the extent to which the performance goal was achieved.

Eligibility.

Only corporate officers of Reliance and of RSAC Management Corp., a California corporation that is a wholly-owned subsidiary of Reliance, are eligible to participate in the Bonus Plan. The Board of Directors determines who is a corporate officer and, therefore, eligible to participate in the Bonus Plan. Although eligibility from year to year is dependent on status as a corporate officer, it is currently expected that approximately ten individuals will participate in the Bonus Plan each year, with other individuals being added if and when they become corporate officers.

The Bonus Plan requires that any participant must be a corporate officer of the Company at the end of the applicable year and that any incentive bonus actually earned based on performance may be prorated if the participant was a corporate officer for less than the full year. The Bonus Plan gives the Compensation and Stock Option Committee the discretion to award a pro rated bonus if a corporate officer retires prior to December 31 in any year. All awards shall be payable no later than March 15 following the end of the year for which the bonus is payable.

Maximum Bonus.

No participant may receive a bonus under the Bonus Plan of more than $5 million with respect to any year.

Amendment and Termination of the Plan.

The Company s non-management directors on the Board of Directors may amend or terminate the Bonus Plan at any time and for any reason, but, to be deductible for federal income tax purposes, in accordance with Section 162(m) of the Internal Revenue Code, material amendments to the Bonus Plan are subject to shareholder approval. The Bonus Plan will also be submitted to shareholders for approval as necessary to enable the bonuses to continue to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code.

Assignability and Transferability.

Awards under the Bonus Plan are not assignable or transferable by the participant, except by will or the laws of inheritance following a participant s death.

General Tax Consequences.

Under Internal Revenue Code Section 162(m), no deduction is allowed in any taxable year of the Company for compensation in excess of $1 million paid to a company s covered employee . An exception to this rule is available when compensation is paid to a covered employee pursuant to performance-based compensation. The Bonus Plan is designed to qualify awards made under the Bonus Plan as performance-based compensation in accordance with Section 162(m), so that the Company may receive a Federal Income Tax deduction for the payment of incentive bonuses to the named executive officers under the Bonus Plan.

The regulations governing Section 162(m) provide that a covered employee is determined in accordance with the executive compensation disclosure rules under the Securities Exchange Act of 1934, as amended (the Exchange Act). However, the Exchange Act does not contain a definition of covered employee as referenced in Section 162(m). The Exchange Act now requires disclosures relating to a company s principal executive officer regardless of compensation, principal financial officer regardless of compensation, and the three most highly-compensated executive officers other than the principal executive officer and the principal financial officer as determined as of the end of the last completed year. The Internal Revenue Service released guidelines in June 2007 providing that, for purposes of Section 162(m), a covered employee means the principal executive officer (or anyone acting in such capacity) and the three highest paid officers of the relevant taxable year. For purposes of Section 162(m), a covered employee , does not include the principal financial officer unless such officer is otherwise one of the three highest paid officers.

Benefits Under the Bonus Plan.

The table below provides certain summary information concerning the target and maximum dollar amounts of incentive bonus payments that may be made to the named individuals under the Bonus Plan for year 2008 if the target or maximum performance goals are achieved. The right to receive any bonus payment under the Bonus Plan for 2008 depends on whether and to what extent the performance goal is achieved, and the named participants may receive a reduced amount or no payment at all depending on the return on the beginning shareholders equity actually achieved by the Company for 2008. It is not possible to calculate at the present time what benefits will actually be received by the named executive officers.

Officer Name/Title	Target Bonus Amount	Maximum Bonus Amount
David H. Hannah Chairman and Chief Executive Officer	$ 700,000	$ 2,100,000
Gregg J. Mollins President and Chief Operating Officer	$ 520,000	$ 1,560,000
Karla R. Lewis Executive Vice President, Chief Financial Officer and Assistant Secretary	$ 375,000	$ 1,125,000
James P. MacBeth Senior Vice President, Carbon Steel Operations	$ 320,000	$ 960,000
William K. Sales, Jr. Senior Vice President, Non-Ferrous Operations	$ 330,000	$ 990,000
Executive Group	$ 2,245,000	$ 6,735,000
Non-Executive Director Group	$ -0-	$ -0-
Non-Executive Officer Employee Group	$ 845,000	$ 845,000[(1)]

(1) Estimate based on percentages of base salary applicable for 2008. The actual amount of the bonuses for non-executive officers is within the discretion of the Compensation and Stock Option Committee, subject to approval of the independent, non-management directors.

Interested Parties

As described above, each of the named executive officers will benefit by receiving an annual cash incentive bonus if the Bonus Plan is approved by the shareholders.

Recommendation of the Board.

The affirmative vote of holders of shares of Common Stock having a majority of the votes present in person or represented by proxy at the Annual Meeting of Shareholders and entitled to vote on the Bonus Plan is required to approve the Bonus Plan. If you own shares through a broker or in a plan, you must specifically instruct your broker or the trustee of the plan how to vote in order for your vote to be counted on this proposal. Should shareholder approval not be obtained, then the Bonus Plan will not be implemented.

The independent members of the Board of Directors believe that the Corporate Officers Bonus Plan is in the best interests of the Company and its shareholders and recommend that the shareholders vote FOR approval

of the Bonus Plan. The proxies will be voted FOR approval of the Bonus Plan unless otherwise directed.

MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information regarding our directors and executive officers:

Name	Age	Position with Reliance
David H. Hannah[1]	56	Chairman and Chief Executive Officer; Director
Gregg J. Mollins[1]	53	President; Chief Operating Officer; Director
Karla R. Lewis	42	Executive Vice President; Chief Financial Officer
James P. MacBeth	60	Senior Vice President, Carbon Steel Operations
William K. Sales, Jr.	50	Senior Vice President, Non-Ferrous Operations
Joe D. Crider[1][4][5]	78	Director
Thomas W. Gimbel[1][5]	56	Director
Douglas M. Hayes[2][3][4]	64	Director
Franklin R. Johnson[2][3][5]	71	Director
Mark V. Kaminski[1][3][4][5]	52	Director
Andrew G. Sharkey, III[1][4][5]	61	Director
Richard J. Slater[2][4][5]	61	Director
Leslie A. Waite[2][3][4]	62	Director

(1) Term of office as a director expiring in 2008.

(2) Term of office as a director expiring in 2009.

(3) Member of the Audit Committee.

(4) Member of the Compensation and Stock Option Committee.

(5) Member of the Nominating and Governance Committee.

Nominees for Directors to be Elected in 2008 With Terms Ending in 2010

Thomas W. Gimbel was appointed a director of Reliance in January 1999. Mr. Gimbel has been retired since 2006 and currently serves as Trustee of the Florence Neilan Trust, Reliance s largest shareholder. Between 1984 and 2006, Mr. Gimbel was the President of Advanced Systems Group, an independent computer consulting firm servicing database requirements for diverse businesses of various sizes. From 1975 to 1984, Mr. Gimbel was employed by Dun & Bradstreet. Mr. Gimbel serves as a member of our Nominating and Governance Committee. The Board of Directors has determined that Mr. Gimbel is an independent director.

David H. Hannah was appointed a director of Reliance in 1992 and became the Chairman in October 2007 and the Chief Executive Officer of Reliance in January 1999. Mr. Hannah served as President of Reliance from November 1995 to January 2002. Prior to that, he was Executive Vice President and Chief Financial Officer from 1992 to 1995, Vice President and Chief Financial Officer from 1990 to 1992 and Vice President and Division Manager of the Los Angeles Reliance Steel Company division of Reliance from 1989 to 1990. Mr. Hannah has served as an officer of the

Company since 1981. For eight years before joining Reliance in 1981, Mr. Hannah, a certified public accountant, was employed by Ernst & Whinney (a predecessor to Ernst & Young LLP, our independent registered public accounting firm through 2007) in various professional staff positions.

Mark V. Kaminski was appointed a director of Reliance in November 2004. Mr. Kaminski was chief executive officer and a director of Commonwealth Industries Inc. (now Aleris International, Inc.) from 1991 to June 2004, when he retired. Mr. Kaminski had served in other capacities with Commonwealth Industries Inc. since 1987. Aleris is a supplier of metals to Reliance, but the purchases in any year do not exceed five percent of either the gross revenues or the total consolidated assets of Reliance or of Aleris. Mr. Kaminski is also a director of the Matthew Kelly Foundation, Cincinnati, Ohio, a non-profit organization. Mr. Kaminski serves as a member and Chairman of our Nominating and Governance Committee and as a member of our Compensation and Stock Option Committee and our Audit Committee. The Board of Directors has determined that Mr. Kaminski is an independent director.

Gregg J. Mollins was appointed a director of Reliance in September 1997 and became President of Reliance in January 2002. Mr. Mollins has served as Chief Operating Officer since May 1994. Mr. Mollins was Executive Vice President from November 1995 to January 2002, was Vice President and Chief Operating Officer from 1994 to 1995 and was Vice President from 1992 to 1994. Prior to that time he had been with Reliance for six years as Division Manager of the Santa Clara division. For ten years before joining Reliance in 1986, Mr. Mollins was employed by certain of our competitors in various sales and sales management positions.

Andrew G. Sharkey, III was appointed a director of Reliance in July 2007. Mr. Sharkey has served as president and chief executive officer of the American Iron and Steel Institute since 1993 and from 1978 to 1993 was president, executive vice president and director of education for the Steel Service Center Institute (currently the Metal Service Center Institute). Mr. Sharkey serves as a member of our Nominating and Governance Committee and our Compensation and Stock Option Committee. The Board of Directors has determined that Mr. Sharkey is an independent director.

Directors Whose Terms Continue Until 2009

Douglas M. Hayes became a director of Reliance in September 1997. Mr. Hayes retired from Donaldson, Lufkin & Jenrette Securities Corporation (DLJ), where he was Managing Director of Investment Banking from 1986 to May 1997, after which he established his own investment firm, Hayes Capital Corporation, located in Los Angeles, California. DLJ was an underwriter in our 1997 public equity offering and was also the underwriter in our initial public offering in 1994. Mr. Hayes serves as a member of our Audit Committee and our Compensation and Stock Option Committee. Mr. Hayes served on our Nominating and Governance Committee through February 2005. Mr. Hayes is also a director of Circor International, Inc., a public company, the securities of which are traded on the New York Stock Exchange, and for which Mr. Hayes serves as chairman of the nominating and governance committee and as a member of the audit committee and the compensation committee. The Board of Directors has determined that Mr. Hayes is an independent director, and Mr. Hayes serves as our Lead Director for non-management director meetings.

Franklin R. Johnson was appointed a director of Reliance in February 2002. Mr. Johnson is a certified public accountant, having been the managing partner of the entertainment practice of Price Waterhouse until he retired in June 1997. Mr. Johnson was the chief financial officer of Rysher Entertainment, a producer and distributor of films and television shows from June 1997 to June 1999 and, since July 1999, he has served as a business consultant, a litigation consultant and an expert witness, none of which services has been provided to Reliance. Mr. Johnson serves as a member and the Chairman of our Audit Committee and as a member of our Nominating and Governance Committee. Mr. Johnson also serves as a director of Special Value Continuation Fund, a registered investment fund for institutional investors organized by Tennenbaum Capital Partners, for which Mr. Johnson is chairman of its audit committee. The Board of Directors has determined that Mr. Johnson is an independent director and that he qualifies as the financial expert of the Audit Committee.

Richard J. Slater became a director of Reliance as of January 1, 2006. Mr. Slater is chairman of ORBIS LLC, an investment and corporate advisory firm, and serves on the board of directors of Bluebeam, a privately-held, early stage software development company. From May 1980 until his retirement in October 2006, Mr. Slater served in various executive positions with Jacobs Engineering Group, including Executive Vice President of Worldwide Operations (1998 through 2002) and advisor to the chairman and CEO (2003 through 2006). He is currently a director of KBR, Inc., a member of their nomination and governance committee and chairman of its health, safety and environmental committee. He is also a Trustee of the Board of Claremont Graduate University, chairman of their business and finance committee, and member of their audit and investment committees. The Board of Directors has determined that Mr. Slater is an independent director.

Leslie A. Waite has been a director of Reliance since 1977. Mr. Waite is an investment advisor and, since April 2003, has been Managing Director and Senior Portfolio Manager of Lombardia Capital Partners LLC (formerly Valenzuela Capital Partners LLC). Prior to that, he had been the president and chief portfolio manager of Waite & Associates since its formation in 1977. Mr. Waite is a member of our Audit Committee and serves as a member and

Chairman of our Compensation and Stock Option Committee. The Board of Directors has determined that Mr. Waite is an independent director.

Executive Officers

In addition to Messrs. Hannah and Mollins, the following are executive officers of Reliance:

Karla R. Lewis became Executive Vice President of Reliance in January 2002 and continues as our Chief Financial Officer. Mrs. Lewis was also appointed an Assistant Secretary in 2007. Mrs. Lewis had been Senior Vice President and Chief Financial Officer of Reliance since February 2000. Mrs. Lewis served as Vice President and Chief Financial Officer of Reliance from 1999 to 2000 and was Vice President and Controller from 1995 to 1999. Mrs. Lewis served as Corporate Controller from 1992 to 1995. For four years prior to joining Reliance, Mrs. Lewis, a certified public accountant, was employed by Ernst & Young (our independent registered public accounting firm for 2007) in various professional staff positions.

James P. MacBeth became Senior Vice President, Carbon Steel Operations in January 2002, having been promoted from Vice President, Carbon Steel Operations, a position which he had held since July 1998. Prior to that time, Mr. MacBeth served as Division Manager of our Los Angeles Reliance Steel Company division from September 1995 to June 1998. From December 1991 to September 1995, Mr. MacBeth was Vice President and Division Manager of Feralloy Reliance Company, L.P., a joint venture owned 50% by Reliance. Prior to December 1991, Mr. MacBeth held various sales and management positions since joining Reliance in 1969.

William K. Sales, Jr. became Senior Vice President, Non-Ferrous Operations in January 2002, having joined Reliance as Vice President, Non-Ferrous Operations in September 1997. From 1981 to 1997, Mr. Sales served in various sales and management positions with Kaiser Aluminum & Chemical Corp., a producer of aluminum products and a supplier of Reliance.

Significant Employees

In addition, the following Reliance officers are expected to make significant contributions to our operations:

Brenda Miyamoto, 35, became Vice President and Corporate Controller in May 2007, having been promoted from Corporate Controller, a position which she had held since January, 2004. Prior to that time, Ms. Miyamoto served as Group Controller from December 2001 to January 2004. For six years prior to joining Reliance, Ms. Miyamoto, a certified public accountant, was employed by Ernst & Young LLP (our independent registered public accounting firm for 2007) in various professional staff and manager positions.

Donna Newton, 54, became Vice President, Human Resources in January 2001. Ms. Newton joined Reliance as Director of Employee Benefits and Human Resources in February 1999. Prior to that time, she was director of sales and service for the Los Angeles office of Aetna U.S. Healthcare and also held various management positions at Aetna over a 20-year period.

Kay Rustand, 60, joined Reliance as Vice President and General Counsel in January 2001. Prior to that time, Ms. Rustand was a partner at the law firm of Arter & Hadden LLP (our former counsel) in Los Angeles, California, for more than 10 years, specializing in corporate and securities law. Following law school, Ms. Rustand served as a law clerk for the Honorable Herbert Y. C. Choy, of the U.S. Court of Appeals, 9th Circuit.

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis should be read together with the information presented in the Summary Compensation Table and other compensation tables and the footnotes to those tables and related disclosures elsewhere in this proxy statement.

Overview

The Company s executive compensation program is administered by the Compensation and Stock Option Committee of the Board of Directors (the Compensation Committee), which is composed entirely of independent, non-employee directors and which makes recommendations to the non-management directors on the Board of Directors regarding the compensation of the Company s corporate officers, including the named executive officers as defined in Rule 402(a)(3) under the Securities Exchange Act of 1934, as amended. The executive compensation program is a pay-for-performance program that is designed to motivate corporate officers to enhance shareholder value with compensation plans that are tied to Company performance as well as individual performance and to ensure our ability to attract and retain superior corporate officers by targeting compensation at a level competitive with other companies in our industry or companies having size or complexity comparable to our Company. To meet these objectives, the program has both cash and equity elements and short-term, long-term and retirement benefits. The named executive officers generally receive a base salary, an annual cash incentive bonus, grants of stock options and/or restricted stock and certain retirement benefits, as well as benefits common to all of our Company s employees.

The Compensation Committee evaluates, from time to time with the help of an outside consultant, both the total compensation package and the individual elements of the package on at least an annual basis. The Compensation Committee considers both qualitative and quantitative criteria in determining the amount of the total compensation package and the allocation between cash and non-cash elements, historical compensation records of the Company,, and recommendations and evaluations by named executive officers with respect to officers they supervise. With the help of its consultant, the Compensation Committee develops a peer group of comparable size and complexity and reviews compensation information available for officers of that peer group and also reviews surveys that cross industries and size of companies. The Compensation Committee may also provide guidelines to our Chief Executive Officer (CEO) for compensation of other management personnel.

Compensation Committee

The Compensation Committee is comprised solely of directors who satisfy the independence requirements of the listing standards for the New York Stock Exchange, come within the definition of non-employee directors pursuant to Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and are deemed to be outside directors for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. Management assists the Compensation Committee in its administration of the executive compensation program by providing quantitative data and qualitative evaluations regarding both Company and individual performance. The Compensation Committee reviews our Company s financial statements, certain stock market data, and comparable compensation information for executive officers of other public companies, including companies that the Compensation Committee has identified as the Company s peer group based on size in terms of revenues and/or stock market capitalization structures and complexity.

From time to time the Compensation Committee engages an independent outside consulting firm to aid in the review and evaluation of the total compensation package provided to named executive officers. In 2007, the Compensation Committee engaged ECG Advisors, LLC to provide an objective review of the compensation paid to the named executive officers and to identify competitive levels and elements of compensation paid to similarly-situated executive officers at other public companies. ECG was asked to consider the Company s executive compensation structure and to recommend changes consistent with what is considered market level or competitive total compensation for executive officers of similar public companies. ECG was not engaged to provide any other services to the Company, except with respect to the review by the Nominating and Governance Committee of director compensation, as described below.

There are few public companies in the metals service center industry that are of comparable size, complexity and performance to Reliance. Accordingly, the Compensation Committee and ECG together developed a peer group for purposes of comparison, consisting of the following 14 Fortune 500-ranked public companies, including six metals companies, four diversified wholesalers, two Southern California Fortune 500-ranked companies that are in traditional businesses, and three other Fortune 500-ranked companies in somewhat-related businesses: AK Steel Holding Company; Allegheny Technologies, Inc.; Avery Dennison Group; Commercial Metals; Dover Corp.; Genuine Parts; Jacobs Engineering Group; Pitney Bowes, Inc.; Steel Dynamics, Inc.; Terex Corp.; W. W. Grainger, Inc.; Wesco International; and Worthington Industries, Inc. (together, the 2007 Peer Group). The 2007 Peer Group was selected so that the Company would be in the approximate middle of the group with respect to various metrics. The Company was at the 67th percentile for annual revenues, the 54th percentile for net income and the 47th percentile for return on equity when compared with the companies in the 2007 Peer Group. The peer group identified by the Compensation Committee may change from year to year, depending on the Company s growth, changes in the economy and other events that might make any individual company more or less comparable to Reliance.

The Compensation Committee also made extensive use of survey data compiled by other compensation consultants for certain companies to supplement the information for the 2007 Peer Group. The Towers Perrin 2005 survey included information from approximately 950 companies having $1 billion or more in revenues across approximately 40 industries. The Mercer Human Resources Consulting survey included information from approximately 2,450 U.S. companies in 40 industries. The surveys provided regression lines for compensation that ECG adjusted to more accurately reflect the differential compensation levels in different industries.

Policies

The executive compensation program of the Company was established by the Board of Directors initially and is annually reviewed by the Compensation Committee. The non-management members of the Board must approve all changes in the policies, programs or plans affecting executive compensation. The executive compensation program is a pay-for-performance program that is designed to:

motivate executives to enhance shareholder value with compensation plans that are tied to Company performance; and

target executive compensation at a level to ensure our ability to attract and retain superior executives.

Historically, Reliance has enjoyed a team-oriented corporate culture and has rewarded the entire team of executive and corporate officers for their joint efforts that result in the Company s performance. The Company believes that attracting and maintaining a team of superior officers with complementary skills and expertise has proven successful for the Company s growth, both organically and through acquisitions, and for maintaining the Company s profitable financial performance, each of which generally enhances shareholder value. To motivate executive officers to enhance shareholder value, we maintain a pay-for-performance compensation structure that rewards our executive officers principally for the amount of return on beginning shareholders equity and other factors of Company performance, but also for individual performance, activities that further the strategic vision and goals of the Company, and the individual s level of responsibility and length of time with the Company. The underlying principle that all of the Company s senior management is required to adhere to is to maintain the Company s reputation for honesty and integrity, while providing excellent, responsive service to our customers and maintaining excellent relationships with our suppliers.

Our compensation structure for our named executive officers has four main elements: base salary, cash incentive bonus, stock options or restricted stock and retirement benefits, which together provide short-term, long-term and retirement benefits, and have both cash and equity components. The allocation between cash and non-cash elements is intended to provide short-term benefits (cash) and long-term benefits (non-cash). The allocation between the base salary and the cash incentive bonus is intended to place a significant portion of the named executive officers compensation at risk based on the Company s performance. If there is an average return on beginning shareholders equity, then the named executive officers may earn an incentive bonus equal to 100% of the executive officer s base salary, which is the target amount, and an above-average return would normally result in a higher percentage of the officer s base salary being paid as a cash bonus. The long-term benefits include both equity (through stock option or restricted stock grants) and retirement benefits. The equity component is intended to more closely align officers and shareholders interests, and both of the long-term benefits are intended to encourage the officers to remain with the Company and to seek to increase shareholder value.

In February 2007 the Compensation Committee and the non-management directors on the Board of Directors established the requirement that the named executive officers maintain an ownership position in our Common Stock at least equal to five times base salary for our principal executive officer (our CEO), four times base salary for our chief operating officer, three times base salary for our principal financial officer (our CFO), and two and a quarter times base salary for the other named executive officers. All of the executive officers are in compliance with the stock ownership requirements. The policy that all such officers must maintain a shareholding position in the Company helps to align the officers interests as much as possible with those of our shareholders. Other than any appreciation in the value of our common stock that may be available as a result of grants made under our stock option and restricted stock plans and any increase in benefits under the supplemental executive retirement plan (SERP), we have no deferred compensation plans for our executive officers.

Procedures

The Compensation Committee is charged with assisting the Board to fulfill its obligations with respect to the compensation policies and does so by gathering both current and historical information relevant to the performance of the Company as compared to the identified peer group, compensation paid to named executive officers of the Company and comparable officers with the companies in the peer group identified by the Compensation Committee, and from time to time surveys of other public companies that the Compensation Committee determines to be comparable or useful. The Compensation Committee further requests that our CEO provide a summary of accomplishments and disappointments for the year under review, goals and results for the year under review and goals for the year ahead, a discussion of any risk management issues, any revisions to the strategic vision of the Company and a review or evaluation of each of the corporate officers, including the named executive officers, prepared by that person s immediate supervisor. The Compensation Committee reviews and discusses these items before it begins any analysis specifically related to the mix, structure or amount of total compensation for the corporate officers.

After reviewing that information and the data previously gathered, the Compensation Committee makes recommendations for the compensation to be paid to the CEO and other corporate officers. The Compensation Committee then discusses these recommendations with the CEO and presents these recommendations to the non-management members of the Board of Directors in executive session. The cash portion of the compensation is generally considered separately from the equity portion, although the Compensation Committee does analyze the proposed total compensation package before making any recommendations. The independent, non-management directors of the Board make the final determination of the compensation to be paid to the CEO and the other corporate officers of the Company.

Elements

The compensation paid to each of the named executive officers is structured in the same manner and contains the same basic elements as for all of the corporate officers, that is, base salary, an annual cash incentive bonus, and long-term compensation in the form of stock options or restricted stock. The executive officers are also eligible to receive benefits under our SERP, which provides post-retirement benefits to the named executive officers, among others. Our named executive officers may participate in our 401(k) plan and health and medical insurance benefits, life and disability insurance, and ESOP benefits on the same basis as these benefits are generally available to all eligible employees. (Since our Company is decentralized, we do not have master plans for each of these benefits that apply to employees Company-wide. Certain of our plans, such as the ESOP, are available only to employees of Reliance and RSAC Management Corp. Other plans are available only to employees of certain subsidiaries and not corporate officers.) In lieu of either providing a car or reimbursing certain personnel for auto travel, certain members of senior management, including the executive officers, are paid a car allowance monthly.

Base Salary

The base salary is what the name implies the primary, or base, compensation for each of the named executive officers, which is the minimum pay that any officer would receive in any year. The base salaries of the named executive officers are intended to be competitive with those of comparable officers at companies in the identified peer group. The Compensation Committee determined to benchmark the base salaries of the named executive officers against the base salaries of comparable officers at companies in the 2007 Peer Group. The Compensation Committee found that the base salaries of the named executive officers are somewhat below market with the base salary of the Chief Executive Officer substantially below market. The Compensation Committee determined it was appropriate to increase the Chief Executive Officer s base salary by approximately 10% effective for 2008 to reduce this differential. The other named executive officers were given increases ranging from 1.6% to 7.1%.

Incentive Bonus

The Company has maintained its Key-Man Incentive Plan for division managers and corporate officers of Reliance since 1965, with amendments from time to time. The Key-Man Incentive Plan is primarily a quantitative calculation based on the annual operating results of the Company, with the point assignment being a qualitative element. To determine the bonus amounts to be paid under the Key-Man Incentive Plan, the Compensation Committee first calculates the bonus pool, which is an amount equal to 20% of the amount by which the Company s net income for the current year exceeds the average risk-free rate of return on a one year Treasury bill applied to the Company s net worth at the beginning of the year. That amount is then divided by the total points that the Compensation Committee has allocated to all participants under the Plan. This determines the value per point which is then multiplied by each participant s number of points assigned by the Compensation Committee. The Compensation Committee also establishes maximum bonus amounts for each individual, based on a percent of that person s base salary. The maximum bonus amounts for the named executive officers have been determined for the last two years based on a sliding scale with percentages of base salary corresponding to certain rates of return on beginning shareholders equity, so that the maximum bonus payable to any named executive officer may not exceed the corresponding percentage applicable for the Company s return on beginning shareholders equity shown on the sliding scale. The target bonus is considered to be 100% of the named executive officer s base salary. This target is attained if the Company s return on beginning shareholders equity equals 12%. No bonus would be payable unless the return on beginning equity was at least 6%, for which the percent of base salary that would be the maximum bonus payable would be 14%. The maximum bonus payable to each executive officer if the Company achieves a return on beginning shareholders equity equal to 25% or more is 300% of base salary. In 2007 the Company s return on beginning shareholders equity was approximately 23% and, accordingly, the maximum incentive bonus amount payable to the named executive officers under the Key-Man Incentive Plan was 269% of their respective base salaries. Under the Key-Man Incentive Plan the corporate officers, including the named executive officers, including the named executive officers, may elect to receive 25% of their bonus in shares of restricted Common Stock. None of the officers made such an election for the 2007 bonus.

In February 2008 the Compensation Committee recommended and the independent non-management directors on the Board of Directors approved a Corporate Officers Bonus Plan (the Bonus Plan) that is a non-equity incentive bonus plan available to all officers of Reliance and RSAC Management Corp., including the named executive officers. (See discussion of Bonus Plan under Proposal to Approve Corporate Officers Bonus Plan.) The Bonus Plan is primarily a quantitative calculation based on the annual total return on beginning shareholders equity for the named executive officers and simplifies the calculations made under the Key-Man Incentive Plan. The Compensation Committee has adopted a sliding scale to calculate the bonus for named executive officers, which provides for a bonus to be paid to named executive officers if the rate of return on beginning equity is 6% or more, with the amount of bonus calculated as a corresponding percent of base salary ranging from 14% to 300%. By way of example, the named executive officers would receive no bonus if the rate of return were below 6%, a bonus of 100% of base salary if the rate of return were 12% (which is considered the target based on the Company s long-term average return on beginning shareholders equity) and a maximum of 300% of base salary if the rate of return were 25% or greater. Despite this quantitative calculation, the independent, non-management directors on the Board of Directors have final authority to approve these bonuses. This Bonus Plan and the sliding scale have been approved by the independent directors to establish the performance goals applicable for 2008. This Bonus Plan is intended primarily to reward the named executive officers for the Company s performance.

When benchmarking the incentive bonus against those paid to comparable officers at companies in the 2007 Peer Group, the Compensation Committee found that the annual bonuses are highly competitive. The Compensation Committee determined that, for 2006, the Company s average return on beginning shareholder s equity was 12.8% over a 27-year period, with a median return of 13.2%. For 2007, the average rate of return over the 28-year period had increased to 13.7% and the median had increased to 13.4%. The rates of return have, however, varied from a low of 1.6% to a high of 32.6% during that period. In only three years in the 28-year period has the Company exceeded the 25% rate of return, which the Compensation Committee has determined is required for the named executive officers to achieve the maximum incentive bonus equal to 300% of their respective base salaries. The rate of return in 2006 exceeded 25%, and the rate of return for 2007 was approximately 23%. Accordingly, for 2007 all of the executive officers received 269% of their respective base salaries as an incentive bonus.

Stock Option and Restricted Stock Plan

We have adopted, and the shareholders have approved, the Amended and Restated Stock Option and Restricted Stock Plan (the Stock Plan). The Stock Plan is intended to encourage the named executive officers, among others, to remain with the Company on a long-term basis and to reward individual performance and levels of responsibility. The scope and authority of the Compensation Committee is defined by the Stock Plan. The Compensation Committee has complete authority to interpret the Stock Plan and make all decisions with respect to how it functions. The Compensation Committee recommends to whom and in what number, and with what terms and conditions, options or restricted stock should be granted, but the independent, non-management members of the Board must confirm the issuance of the options. Under the Stock Plan, the Compensation Committee may recommend to the Board of Directors the grant of incentive stock options, non-qualified stock options or restricted stock. Thus far, we have not issued any incentive stock options or restricted stock under the Stock Plan. We have, however, granted non-qualified stock options. All awards to named executive officers are approved by the independent, non-employee directors of the Company. The Compensation Committee considers the recommendations of our Chief Executive Officer with respect to any grants or awards to the other named executive officers.

In making its recommendations to the Board, the Compensation Committee considers the position of the named executive officer, his or her importance to the Company s results, his or her individual performance, the number of options already granted to that individual and the option price or prices at which those earlier granted options are exercisable, the total number of options to be recommended for granting and the relative number of such recommended option grants among the various individuals then under consideration for option grants, as well as related stock option expense as a percentage of pre-tax income. The Compensation Committee determined that no more than 20% of the total options granted in any particular approved grant in 2007 should be granted to the named executive officers.

Under the terms of the Company s Stock Plan the exercise price of the stock option must be at least equal to the fair market value of the underlying stock on the date of grant. The fair market value is defined, for purposes of the Stock Plan, as the value at least equal to the closing price of Reliance Common Stock on the New York Stock Exchange Composite Index on the business day immediately prior to the grant date.

The Company did not grant any stock options in 2006 because of certain material non-public information then held by the Company. Accordingly, the Chief Executive Officer recommended to the Compensation Committee that a larger number of stock options be granted to the named executive officers in 2007. The Compensation Committee agreed with this recommendation, but also suggested that there be annual grants of stock options in the future. In addition, in March 2007 the Compensation Committee determined, because of the cyclicality of the Company s business operations, to make the term of newly-granted stock options seven years, instead of the five years that was applicable to previously granted stock options, but the options continue to become exercisable at the rate of 25% per year commencing one year from the date of grant. When benchmarking the long-term incentive compensation value of the stock options granted to the named executive officers against the long-term incentive equity compensation received by comparable executive officers at companies in the 2007 Peer Group, the Compensation Committee found that the value of the stock options granted to the Chief Executive Officer and the Chief Operating Officer was below market and the value of the stock options granted to the other named executive officers was above market. The Compensation Committee determined to adjust this differential by recommending that an increased number of stock options be granted to the Chief Executive Officer and the Chief Operating Officer in 2008. Additionally, for 2008, the Compensation Committee determined that no more than 33% of the total options granted should be granted to all of the corporate officers as a group, including the named executive officers.

The Company does not plan to time nor has it timed its release of material non-public information for the purpose of affecting the value of any stock or stock options granted. In fact, the Company has delayed the grant of options when in possession of material non-public information. Historically, the Compensation Committee has recommended grants of stock options for named executive officers at such times as it believed appropriate to ensure that each of the named executive officers has a reasonable amount of unexercised stock options. Beginning in 2007, the Compensation Committee determined to grant stock options or restricted stock annually after the market has had an opportunity to react to the Company s release of its financial results for the prior year. Our Company maintains internal controls to prevent backdating or repricing of stock options.

SERP

In 1996, Reliance adopted a Supplemental Executive Retirement Plan (SERP), which provides post-retirement benefits to our executive officers and certain other key employees, as the Compensation Committee, in its discretion, determines appropriate. Under the SERP, benefit payments equal 50% of the average of the participant s highest five years of the last ten years of total cash compensation, less benefits from other retirement plans that we sponsor, including the 401(k) Plan and ESOP and social security benefits received. The SERP was amended in 1999 to provide for a pre-retirement death benefit. The Compensation Committee considers the SERP benefits in its analysis of the total compensation to be paid to the named executive officers. In benchmarking the values of the SERP against the retirement benefits offered at companies in the 2007 Peer Group, the Compensation Committee found that the values are competitive for the Chief Executive Officer and highly competitive for the other four named executive officers.

Other Benefits

Our 401(k) Plan allows all eligible employees, including the named executive officers, who have been employed a minimum of three months to defer a portion of their compensation and provides a matching contribution of up to 3% of eligible compensation, subject to certain IRS limitations. All named executive officers participate in this 401(k) Plan. We have maintained an Employee Stock Ownership Plan (ESOP) since 1974, which was approved by the IRS as a qualified plan. All non-union employees of Reliance and RSAC Management Corp. (but not other subsidiaries), including the named executive officers, are eligible to participate in the ESOP as of January 1 after one and one-half years of service. An employee who is eligible to participate in the ESOP is fully vested in the shares of our Common Stock allocated to his/her ESOP account. Allocation is based on the participant s compensation each year, including bonuses, as compared to the total compensation of all participants, subject to the maximum amounts established by the IRS. The Company also pays 100% of the healthcare insurance premiums for the named executive officers and his/her dependents, as we do for all eligible employees of Reliance and RSAC Management Corp., and the Company provides a car allowance and parking for the named executive officers. The Company provides club memberships for our named executive officers that are intended to be used for business purposes.

Analysis

When making decisions regarding the compensation of our named executive officers, the Compensation Committee considers information from a variety of sources. The Compensation Committee obtains from our accounting department historical data on the level of compensation paid to executive officers by the Company in the past, both individually and in relation to one another. The accounting department with assistance from outside experts also prepares certain quantitative calculations regarding the values of stock option grants and the SERP benefits. Members of the Compensation Committee and its consultant gather publicly available information on compensation paid by members of the Company s identified peer group, as well as information regarding the Company s performance and results relative to these other companies, and review surveys of related compensation information. The composition of the peer group is reviewed and, if necessary, revised annually in an effort to assure comparability of information. The information on other companies, including the 2007 Peer Group, alone is not determinative. The Compensation Committee analyzes both the individual elements and the total compensation packages for each of the named executive officers.

The Compensation Committee extensively analyzed the following income statement, balance sheet, and stock market data of the Company and the 2007 Peer Group:

Annual revenue
Net Income
Operating margins
Return on equity
Number of full-time employees
Stock-market capitalization
One, three, five, and 10-year stock market returns benchmarked against various stock indices
Capitalization and debt ratios
Black Scholes factors.

The Compensation Committee also considered the structure of total compensation (base salary, bonus, long-term incentive plans, and SERP and related long-term plans) as compared to both the 2007 Peer Group and survey data. This discussion of the structure of various executive compensation programs included the following:

Various elements of pay expressed as a percent of salary
Mix of direct pay
Value of annual stock grants
Long-term incentive plans
Non-qualified stock option plans of 2007 Peer Group companies
Rationale for restricted stock
Restricted stock and various performance standards
Retirement plans
Retirement plans of 2007 Peer Group companies

Based on its analysis of the above and benchmarking against the 2007 Peer Group, the Compensation Committee determined that the total compensation for the four named executive officers other than the Chief Executive Officer was above market, but the total compensation of the Chief Executive Officer was 15-25% below market. The Compensation Committee, together with its consultant, determined that the Company s team-oriented corporate culture has resulted, over the years, in a relatively flat compensation structure for corporate officers. Most of the officers have been with the Company for a substantial period of time and have worked with each other as part of the Reliance team, and this has fostered a pay structure which is compressed compared with other companies.

The Compensation Committee determined that the total compensation of the named executive officers should be at approximately the 65th percentile of the total compensation of those comparable executive officers in the 2007 Peer Group for meeting target performance goals and at approximately the 75th percentile for excellent performance that exceeds the target performance goals. For the year 2007, the Compensation Committee, in collaboration with its consultant and after completing its analysis, concluded that the Chief Executive Officer s total compensation was 15-25% below market (including base salary, cash bonus, long-term incentives, and supplemental pensions) and that Reliance s next four executive officers were approximately 15-25% above market on the same basis. To begin the process of narrowing this differential, it was the consensus of the Committee that the base salary of the Chief Executive Officer be increased by approximately 10% for 2008 and that the other named executive officers receive smaller increases in their base salaries, by comparison. The Compensation Committee did not make any adjustment to the cash incentive bonus amounts calculated under the Key-Man Incentive Plan, but, again, to make the total compensation packages more competitive, the Compensation Committee agreed to recommend an increased number of stock options as performance-based long-term incentives to the top two named executive officers of the Company.

Individual Performance Factors. Individual performance of each of the named executive officers principally impacts the increase in base salary and the number of stock options granted. Each of the named executive officers contributed to the Company s results in a number of ways. The Compensation Committee considered, among other things, the following specific factors in addition to the more subjective factors of management style, problem solving capabilities, supervisory responsibilities and the responsibilities of due diligence related to proposed acquisitions of each of the named executive officers:

CEO It is the CEO s responsibility to develop a strategic vision for the Company and to ensure that the corporate officers take actions to further the Company s long-term corporate goals and objectives. Mr. Hannah has been the principal factor in developing and implementing the acquisition strategy of the Company and in maintaining a strong balance sheet and adequate financing to allow the Company to grow both organically and through acquisitions. In 2007 the Company completed acquisitions of five companies: Encore Group Limited; Crest Steel Corporation; Industrial Metals and Surplus, Inc.; Clayton Metals, Inc.; and Metalweb plc. These acquisitions expanded the Company s international presence by including companies in Canada and the U.K. Mr. Hannah also directly supervises certain of our specialty subsidiaries. In addition, Mr. Hannah was elevated to the position of Chairman of the Board in 2007.

President and COO Mr. Mollins, in addition to supervising Mr. MacBeth and Mr. Sales and the presidents of some of our larger subsidiaries, was directly involved in the organic growth of the Company and in planning the expansion of existing operations. Mr. Mollins oversees the capital expenditures of the Company; we spent a record $124.1 million on capital expenditures in 2007. Mr. Mollins is also involved in identifying potential acquisition targets, which contributed to acquisitions that closed in 2007 and in integrating certain new acquisitions.

EVP and CFO Mrs. Lewis, the principal financial and accounting officer, spearheaded the Company s selection of a new ERP system to be customized to fit the Company s operations and rolled out throughout the Company s many facilities and subsidiaries in the future. Mrs. Lewis supervises the Vice President, Human Resources and the Vice President and Corporate Controller, as well as overseeing the Company s IT department. Under Mrs. Lewis s leadership, the Company managed its cash flow so as to maintain a strong balance sheet and a low debt to total capital ratio, along with meeting all financial reporting requirements and maintaining strong internal controls throughout the Company

Sr.VP, Carbon Steel Operations Mr. MacBeth was principally involved in improving the profitability, inventory turns and management of our continuing carbon steel operations, implementing the Company s strategy for organic growth of these operations and integrating newly acquired carbon steel businesses into our existing operations. The Company expanded some of our existing facilities and updated our processing equipment in certain key markets. Mr. MacBeth also assumed supervision of Crest Steel Corporation, which acquisition closed in January 2007.

Sr.VP, Non-Ferrous Operations Mr. Sales was involved in improving the profitability, inventory turns and management of our continuing non-ferrous operations, implementing the Company s strategy for organic growth for these operations and integrating certain newly-acquired businesses into our existing operations. Mr. Sales, in 2007, was involved in assisting in the expansion of our Company into the United Kingdom by virtue of the acquisition of Metalweb plc, a metals service center company in Great Britain. In addition, Mr. Sales was involved in the expansion of existing facilities and updating of processing equipment at our non-ferrous operations, and took an active role in supervising certain of our Asian operations and implementing a more substantial export compliance program.

The performance of each of the named executive officers contributed to the Company s strong cash flow.

Director Compensation

In 2006, the Nominating and Governance Committee engaged ECG Advisors, LLC as an outside consultant to assist it in reviewing director compensation and recommended to the Board compensation levels that the Nominating and Governance Committee believes to be commensurate with other comparable public companies. Directors are paid an annual retainer, payable quarterly, and fees for attending director or committee meetings or for chairing the meetings or a committee of the Board. Under the Amended and Restated Directors Stock Option Plan, which has been approved by the shareholders, non-employee directors are entitled to receive non-qualified options to acquire our Common Stock in accordance with that plan, including an automatic grant of 6,000 shares on the date of each Annual Meeting of Shareholders with an exercise price not less than the closing price of our Common Stock on the New York Stock Exchange Composite Index on the grant date. In February 2007, the Board of Directors adopted minimum requirements for directors to own the Company s Common Stock. Directors are required to own shares of the Company s Common Stock having a market value equal to at least five times the annual cash retainer received by directors, and directors have five years in which to acquire and begin maintaining that amount of the Company s Common Stock. The director compensation was not further changed.

Certain Federal Income Tax Consequences

The following summarizes certain Federal income tax consequences relating to the Company s Stock Plans. The summary is based upon the laws and regulations in effect as of the date of this Proxy Statement and does not purport to be a complete statement of the law in this area. Furthermore, the discussion does not address the tax consequences of the receipt or exercise of awards under foreign, state, or local tax laws, and such tax laws may not correspond to the Federal income tax treatment described below. The exact Federal income tax treatment of transactions will vary depending upon the specific facts and circumstances involved and the participants are advised to consult their personal tax advisors with regard to all consequences arising from the grant or exercise of awards and disposition of any acquired shares.

Stock Options

The grant of a stock option under the Stock Plans will create no income tax consequences either to the Company or to the recipient. An individual who is granted a non-qualified stock option will generally recognize ordinary compensation income at the time of exercise in an amount equal to the excess of the fair market value of the common stock at such time over the exercise price. We will generally be entitled to a deduction in the same amount as and in the year in which the participant recognizes ordinary income. When the participant subsequently disposes of the shares of common stock received with respect to such stock option, the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis. (The tax basis will equal the fair market value of the common stock on the exercise date.)

In general, a participant will recognize no income or gain as a result of the exercise of an incentive stock option, except that the alternative minimum tax may apply. Except as described below, a participant will recognize a long-term capital gain or loss on the disposition of the common stock acquired pursuant to the exercise of an incentive stock option, and we will not be allowed a deduction. If the participant fails to hold the shares of common stock acquired pursuant to an exercise of an incentive stock option for at least two years from the grant date and one year from the exercise date, then the participant will recognize ordinary compensation income at the time of the disposition equal to the lesser of the gain realized on the disposition and the excess of the fair market value of the shares of common stock on the exercise date over the exercise price. We will generally be entitled to a deduction in the same amount and at the same time as the participant recognizes ordinary income. Any additional gain realized by the participant over the fair market value at the time of exercise will be treated as a capital gain.

Restricted Stock

Generally, a participant will not recognize income and we will not be entitled to a deduction at the time an award of restricted stock is made under the Stock Plan, unless the participant makes the election described below. A participant who has not made such an election will recognize ordinary income at the time the restrictions on the stock lapse in an amount equal to the fair market value of the restricted stock at that time. We will generally be entitled to a corresponding deduction in the same amount and at the same time as a participant recognizes income. Any otherwise taxable disposition of the restricted stock after the time the restrictions lapse will result in a capital gain or loss to the extent the amount realized from the sale differs from the tax basis. (The tax basis would be the fair market value of the common stock on the date the restrictions lapse.) Dividends paid in cash and received by a participant who has not made a Section 83(b) election prior to the time the restrictions lapse will constitute ordinary income to the participant in the year paid, and we will generally be entitled to a corresponding deduction for such dividends. Any dividends paid in stock will be treated as an award of additional restricted stock subject to the tax treatment described in this section.

A participant may, within thirty (30) days after the date of the award of restricted stock, make an election under Section 83(b) of the Internal Revenue Code to recognize ordinary income as of the date of the award in an amount equal to the fair market value of such restricted stock on the date of the award less the amount, if any, the participant paid for such restricted stock. If the participant makes such an election, then we will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. If the participant makes the election, then any cash dividends the participant receives with respect to the restricted stock will be treated as dividend income to the participant in the year of payment and will not be deductible by us. The otherwise taxable disposition of the restricted stock (other than by forfeiture) will result in a capital gain or loss. If the participant who has made an election subsequently forfeits the restricted stock, then the participant will not be entitled to claim a credit for the tax previously paid. In addition, we would then be required to include as ordinary income the amount of any deduction we originally claimed with respect to the shares.

Limits on Deductibility of Compensation

Section 162(m) of the Internal Revenue Code limits the deduction we can take for compensation paid to our Chief Executive Officer and our four other highest paid officers (determined as of the end of each year) to $1 million per year per individual, subject to certain exemptions. Performance-based compensation that meets the requirements of Section 162(m) does not have to be included in determining whether we have exceeded the $1 million limit. Our Stock Plan is designed and administered so that awards granted to the covered individuals meet the requirements of Section 162(m) for performance-based compensation. Our Key-Man Incentive Plan is also designed to provide performance-based compensation, with respect to both cash and non-cash awards. To the extent consistent with the Company s policies, we seek to preserve the ability to deduct compensation paid to our executive officers under these plans, but the Compensation Committee may pay compensation to one or more executive officers that is as a whole or in part not deductible if the Compensation Committee determines that it is in the best interests of the Company.

Change of Control; Deferred Compensation

The Company has not entered into any change of control, severance or deferred compensation agreements with any executive officer. At the time that we acquired Earle M. Jorgensen Company (EMJ) in April 2006, EMJ had certain existing change of control agreements and deferred compensation plans. These plans do not affect any executive officer and are not administered by the Compensation Committee. Section 409A of the Internal Revenue Code generally provides that arrangements involving the deferral of compensation that do not comply in form and operation with Section 409A or are not exempt from Section 409A are subject to increased tax, penalties and interest. If a deferred compensation arrangement does not comply with or is not exempt from Section 409A, employees may be subject to accelerated or additional tax, or interest or penalties, with respect to the compensation. At the time of our acquisition of EMJ, the existing deferred compensation plans were amended to comply with Section 409A.

COMPENSATION AND STOCK OPTION COMMITTEE REPORT

The Compensation and Stock Option Committee of the Board of Directors (the Compensation Committee) is composed entirely of independent, non-employee directors listed below. Mr. Slater became a member of the Compensation Committee in January 2007, and Mr. Sharkey became a member in July 2007.

The Compensation Committee has reviewed the Compensation Discussion and Analysis and has discussed it with management. Based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and, to the extent appropriate, the Company s Annual Report on Form 10-K.

This report is submitted on behalf of the members of the Compensation Committee.

Joe D. Crider	Douglas M. Hayes	Mark V. Kaminski
Andrew G. Sharkey, III	Richard J. Slater	Leslie A. Waite, Chairman

EXECUTIVE COMPENSATION

The following table summarizes certain information concerning the compensation that we paid for the year 2007 and 2006 to our Chairman and Chief Executive Officer, who was our only principal executive officer during the year, our Executive Vice President and Chief Financial Officer, who was our only principal financial officer during the year, and each of the other three most highly compensated executive officers who were serving in that capacity at the end of 2007:

Summary Compensation Tables

me and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
vid H. Hannah	2007	$ 636,000	$ 1,710,840	$	$ 529,640	$	$ 497,547	$ 20,136	$ 3,394,16
airman and Chief ecutive Officer	2006	$ 600,000	$ 1,800,000	$	$ 364,673	$	$ 549,929	$ 19,878	$ 3,334,48
egg J. Mollins	2007	$ 487,600	$ 1,311,644	$	$ 415,495	$	$ 400,173	$ 20,136	$ 2,635,04
sident and Chief erating Officer	2006	$ 460,000	$ 1,380,000	$	$ 285,559	$	$ 401,196	$ 19,878	$ 2,546,63
rla R. Lewis	2007	$ 350,000	$ 941,500	$	$ 415,495	$	$ 76,353	$ 20,136	$ 1,803,48
ecutive Vice President Chief Financial Officer	2006	$ 330,000	$ 990,000	$	$ 285,559	$	$ 116,391	$ 19,878	$ 1,741,82
nes P. MacBeth	2007	$ 315,000	$ 847,350	$	$ 277,497	$	$ 595,836	$ 20,136	$ 2,055,81
nior Vice President, rbon Steel Operations	2006	$ 300,000	$ 900,000	$	$ 198,840	$	$ 541,582	$ 19,878	$ 1,960,30
lliam K. Sales, Jr.	2007	$ 315,000	$ 847,350	$	$ 277,497	$	$ 367,878	$ 20,136	$ 1,827,86
nior Vice President, n- Ferrous Operations	2006	$ 300,000	$ 900,000	$	$ 198,840	$	$ 326,916	$ 19,878	$ 1,745,63

(1) The amounts shown were paid under our Key-Man Incentive Plan.

(2) No restricted stock was awarded to any executive officer in 2006 or 2007.

(3) The amounts in this column do not necessarily represent the value of the stock option awards, nor are they a prediction of what the employee may realize. The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the years ended December 31, 2007 and 2006, in accordance with Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share Based Payment*, of awards pursuant to the Company s stock option plans. This expense is related to portions of stock option awards made in October

2003, October 2005, and March 2007. No option awards were made in 2006 or 2004. Assumptions used in the calculation of these amounts are included in Note 10 in the Company s Notes to Consolidated Financial Statements for the years ended December 31, 2007, and 2006, included in the Company s Annual Report on Form 10-K for each of the respective years.

(4) The Company has no non-equity incentive compensation plan other than the Key-Man Incentive Plan which is reported as a Bonus.

(5) The amounts represent the change in the present value of the accumulated benefits payable on retirement under our SERP, determined using interest rate and mortality assumptions consistent with those included in Note 11 of the Notes to Consolidated Financial Statements in the Annual Report on Form 10-K filed by the Company for the year ended December 31, 2007.

(6) The amounts represent allocations to the accounts of each of the named executive officers of contributions made to our ESOP, the matching contributions to our 401(k) retirement savings plan and an annual car allowance of $8,400.

Grants of Plan Based Awards

The Company has no non-equity or equity incentive plans for its executive officers other than the Key-Man Incentive Plan and the Amended and Restated Stock Option and Restricted Stock Plan as disclosed on the Summary Compensation Table. The following table sets forth plan-based awards granted to the executive officers named above during 2007:

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards ($)
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)				
David H. Hannah		89,040	636,000	1,908,000					50,000	$ 44.86	$ 17.11
Gregg J. Mollins		68,264	487,600	1,462,000					40,000	$ 44.86	$ 17.11
Karla R. Lewis		49,000	350,000	1,050,000					40,000	$ 44.86	$ 17.11
James P. MacBeth		44,100	315,000	945,000					25,000	$ 44.86	$ 17.11
William K. Sales, Jr.		44,100	315,000	945,000					25,000	$ 44.86	$ 17.11

(1) Reflects the threshold, target and maximum payout amounts of non-equity incentive plan awards that were awarded in 2007 and were paid out in 2008 under the Key-Man Incentive Plan. The threshold, target and maximum payout amounts were determined in accordance with the terms of the Key-Man Incentive Plan, applying the maximum bonus amounts established by the Compensation and Stock Option Committee. The award amount is a percent of the executive officer s current year salary, with the percent based upon the current year return on beginning shareholders equity. In order to receive any award, the threshold amount, the return on beginning equity must be 6%, which results in an award of 14% of the executive officer s current year salary. The target amount is based on a return on beginning equity of 12%, which is based on the Company s long-term average return on beginning equity, and results in an award of 100% of the executive officer s current salary. The maximum amount is based on a return on beginning equity of 25% or higher, which results in an award of 300% of the executive officer s current year salary.

Option Exercises and Stock Vested

The following table sets forth information for the executive officers named above with regard to the aggregate stock options exercised during the year ended December 31, 2007:

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)[1]	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
David H. Hannah	155,000	$ 4,563,750		$
Gregg J. Mollins	77,500	$ 2,947,575		$
Karla R. Lewis		$		$
James P. MacBeth	10,000	$ 256,500		$
William K. Sales, Jr.		$		$

(1) The amounts represent the difference between the exercise price and fair market value at date of exercise of non-qualified stock options.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth outstanding equity awards held by the executive officers named above at December 31, 2007, all of which were granted under the Company s Amended and Restated Stock Option and Restricted Stock Plan:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable[1]	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
David H. Hannah		100,000		$ 24.58	10/18/2010				
		50,000		$ 44.86	3/2/2014				
Gregg J. Mollins	15,000			$ 12.54	10/20/2008				