Halloran Metals

1. What are the differences in logistics/operating strategy and structure between Halloran and Allied? What impact do those differences have on the kind of businesses they are and the way they operate?
2. What are the strengths and weaknesses implicit in Allied's operating stance? in Halloran's? How would you expect an economic downturn to affect the two firms? an upturn?
3. What economic risks are implicit in Halloran's logistics choices? How has the firm endeavored to reduce these? How successful have they been?
4. What should Jim Rochleau recommend to the president?

Jim, we've got to find some way of reversing the impact of this recession. With seven warehouses, we're carrying loads of inventory and the expense is killing us. We can't cut costs much without seriously disrupting the operations of one or more of our warehouses. On top of all this, we continue to try being all things to all people. Let's take a new look at our operating strategy—we need to come up with some ideas.

Jim Rochleau, vice president-Operations of Halloran Metals, sat in his office adjacent to the company's metal service center in Lynn, Massachusetts and reflected on the conversation he had just had with the firm's president, Warren Hansen. Halloran's financial results for 2001 (**Exhibit 1**) showed a profit decline of almost 70% from the previous year. In a few weeks, he and Warren would be meeting with the board. Little wonder, then, that Warren was suggesting a reexamination of the strategy that Halloran had pursued for more than two decades.

Halloran operated a network of metal service centers similar to the Lynn facility across the northeastern United States, buying metal (primarily steel and aluminum) in bulk from mills and then selling it to customers in smaller quantities. With 2001 revenues of almost $170 million dollars, Halloran was one of the largest participants in the metals service center industry in its region. While the U.S. steel industry had faced some economic difficulties throughout the 1990s, the steel service center industry had enjoyed a steady growth. The economic downturn of the beginning of the 21st century, however, had brought this growth to an abrupt halt, and several firms were finding themselves faced with financial problems

The Steel Industry

The steel manufacturing industry was dominated by several large-scale domestic producers and equally large foreign competitors. Typical output from integrated steel producers fell into two basic categories: ingots and semifinished steel products, and finished steel products. The large, fully integrated mills manufactured a very wide range of finished products including such diverse items as plate, pipe, and structural shapes (**Exhibit 2**). In addition to the large mills, there were smaller manufacturers (minimills) that originally had produced relatively narrow product lines, specializing in two or three end products. The 1980s and 1990s saw a dramatic increase in the share of market for these minimills, as they expanded their product ranges, partly due to the efficiency of their newer equipment.

Steel mills typically did not sell direct to customers ordering less than 20 tons of a specific type and grade of steel. These customers would, instead, purchase from steel service centers similar to Halloran. Purchasers of bulk quantities from the mills, however, often bought from service centers as well. They used service centers for small amounts of their regular purchases, for items not normally needed in large quantities and for rush orders. Steel mills typically operated on an order backlog, and required lead times of one or more months. Steel service center customers fell into three broad categories: OEMs (original equipment manufacturers) used steel as a direct input to their production processes. The importance of the steel component in their operations varied considerably depending on the characteristics of their end products. Fabricators used steel as a primary raw material, and steel accounted for the bulk of their purchasing expenditures. Maintenance accounts needed steel only for repairs to buildings, plant and machinery.

A few of the large domestic steel manufacturing companies had their own captive service center operations. These centers differed from independent service centers in as much as the products they sold were often items of which the parent mill had excess inventories.

Economic downturns, in general, tended to decrease overall steel consumption. In addition to the effect on revenue growth in the service center industry, users tended to eat into their own inventories and thus shrink material carried in the entire distribution channel. For small users, difficulty in securing capital exacerbated this desire to cut inventories and pushed marginal mill customers to buy from service centers. It often made sense for these former mill customers to place several smaller orders with service centers at higher prices rather than carry large inventories on borrowed money.

The North American Steel Service Center Industry

The service center industry was a major force in the metal business in 2001, taking more than 27 million tons (over 25%) of the output from North American steel mills1. While OEM and mill inventories had been dropping, service center inventories had held steady.

Most of the processing currently done by service centers was “Stage-One” processing (e.g., saw cutting, burning, and shearing). This consisted of relatively minor conversion of finished steel products to sizes specified by the customer. The equipment required for this service was relatively modest and did not require a great deal of investment. Orders requiring this type of processing often carried an additional charge, especially small orders, but service centers nevertheless found it unprofitable and somewhat disruptive, but necessary for maintaining customer goodwill. Somewhat more complex processing was involved if a customer needed special metal hardness properties. Very rarely did service centers have heat-treating or tempering facilities and such jobs were normally farmed out to independent heat-treating shops.

Considerably larger investments were required for “intermediate” processing (e.g., slitting and leveling). Traditionally the domain of the integrated steel mills, this consisted of the conversion of large lengths of steel in coils to specified dimensions. In an attempt to improve their profitability, steel mills had been trying to cut back the amount of processing in order to concentrate on maximizing output tonnage of basic steel by just producing larger and

larger coils. This was increasing the pressure on service centers to become more involved in slitting and leveling, which would require larger investments in equipment.

The Steel Service Center Institute (SSCI) noted that two major changes had occurred in the industry during the 1980s and 1990s: increased purchases of foreign steel by service centers, and increased processing of metal. The SSCI predicted that service centers would continue to evolve from metal brokers to intermediate processors, falling between the mills and the end users. SSCI expected tonnage growth of 3% to 6% per annum for the service center industry as a whole for the next few years, with metal sold having more processing done by service centers than previously.

Most service centers carried similar product lines. Metal of a given type and grade from one mill or from one service center was identical to that from another mill or service center. There were a few exceptions, such as Earl M. Jorgenson Co., a service center company that specialized in alloys, and was one of the most successful firms in the industry. Jorgenson competed on availability, i.e., the ability to provide from stock a specific alloy a customer might demand from its forging facility.

Halloran Metals

Halloran was one of the two largest independent regional service centers in the northeast U.S., with seven locations throughout New England, New York, and Pennsylvania (**Exhibit 3**). In the 36 years since its founding, the company had grown to sales of almost $170 million and an operating profit of $6 million. The company was privately owned.

Halloran's organization structure (**Exhibit 4**) reflected its belief in the key role of entrepreneurship in the service center business. The branches operated as profit centers,2 and branch management had considerable latitude in making operating decisions. The head office at Lynn was thinly staffed and provided basic central services such as IT, finance, accounting, sales reporting systems, etc., and overall monitoring of branch performance.

Purchasing played a crucial role in the service center business, and had centralized as well as decentralized elements. In a commodity business such as steel distribution, timing and volume of purchases could make a significant difference to margins and the ability to price competitively. The central office monitored the national market for steel and maintained relations with the steel mills. Small purchases were often made routinely by the branches themselves; purchasing of key products in large lots was coordinated centrally to enable the aggregation of requirements of the individual branches so as to realize the maximum advantage from volume/price breaks normally offered in the market. For example, consider the following monthly requirements for 2" x 2" x ¼" hot-rolled angle bar:

Concord	160,000 lbs.
Woonsocket	85,000 lbs.
Lynn	150,000 lbs.
Newburgh	60,000 lbs

Therefore, in total, Halloran needed to purchase 455,000 lbs. of this size and type of steel. On this product, the mill might be offering a $35/ton discount on purchases of 100 tons (200,000 lbs.) or more. Thus, Concord might order 220,000 lbs. and ship 60,000 lbs. to Newburgh. Lynn would then order 235,000 lbs. and ship 85,000 lbs. to Woonsocket. Both shipments would be made via the Worcester shuttle.

Marketing and Sales

Halloran's sales strategy attempted to incorporate two primary corporate principles; service to a broad base of customers and establishing market position through specialization. Service, as defined by the company, consisted of providing any customer with any reasonable requirement for metal overnight. As Jim put it: "We're in business to give customers whatever they need. If they want red suspenders and the branch managers want to sell red suspenders, then we'll get into the business of red suspenders."

Halloran prided itself on rarely turning down an order, regardless of the size of the customer or of the order. In fact, branch managers needing an out-of-stock item to quickly service a customer were willing, on occasion, for a good customer, to purchase small quantities of product on the open market (if need be from local competition), often at a price significantly higher than that at which mill purchases could be made.

Halloran's emphasis on a broad customer base was a key element in its strategy: "The volume business in the New England market is more price competitive and attracts more of the larger local and regional competition. Some companies really go after this 'visible market'. The trouble is that that visible market is awfully thin—that volume is the first to go in hard times."

With 12 product categories each containing anywhere from 35 line items (pipes) to 1,400 line items (cold-finished bars), Halloran offered over ten thousand line items in all. This substantial breadth of stock keeping units was twice the average for service centers in New England and challenged Halloran to live up to its service goals. The company was convinced that its service played a crucial role in developing and maintaining customer loyalty. The high service content also enabled Halloran to charge higher prices than the industry norm. Halloran did not, however, limit its opportunities to high-service, low-volume business.

Each branch did have opportunities to bid on bulk-order business, especially when required lead times were too short for mills to handle directly. Bulk business, however, tended to be very price competitive, and 5% margins were typical for orders of a truckload or more. Most of the bulk business handled by service centers in the Northeast was in flat-rolled steel. Halloran normally found it difficult to compete aggressively on price because of its intrinsically higher operating costs. The company's success rate in winning bulk orders tended to be higher when the material required was part of the bidding branch's *specialization*.

Even though branches were considered to be full-line centers, each branch specialized in one or more product categories. Inventory and sales were proportionately larger in these special categories relative to other products. For example, the Lynn branch specialized in cold rolled steels and aluminum. **Exhibit 5** illustrates the impact of specialization on Lynn's sales. The higher levels of inventory handled in special categories and the specific processing capabilities often allowed a branch to compete effectively on price in bulk business.

The ability to bid for bulk business was not the primary reason for specialization at branches. Jim believed that dominance in all product categories in a given market was simply not a practical approach. Specialization in one or two categories enabled a branch to carve out a niche for itself and allowed the manager to concentrate on the materials he or she understood best. Selection of the products in which to specialize was left completely up to the decision of branch management. Jim argued: "We must be "the best" in a couple of products. Do these very well and you will have a profitable niche. What we want a service center to do is sell two or three things and be a commanding part of the market in those two or three lines. The other products will follow."

Halloran split its 10,000 customer accounts into three groups. "Key" customers were those who placed orders of $80,000 or more during the previous fiscal year; "major" customers were those providing $20,000 to $80,000 worth of business, and "others" were those providing less than $20,000 worth of business per year. The categorization was based solely on actual billings and not on the size of the customer's total needs or the potential business that the customer represented. However, the potential "key," "major," and "other" unsold accounts lists were very important in Halloran's sales planning. About 40% of Halloran's total revenues came from the "others" category.

Halloran emphasized the small order business in the distribution of time spent by the sales force in the field. While he was not averse to larger orders, Jim believed that small orders were the ones on which they had a significant competitive edge. Jim explained: "Our competition will go in and ask buyers what their largest volume product is—and then offer them a better price on it. We'll go in and ask them which products are the biggest pain in the neck. This is our door opener."

Top management was convinced that personal relationships and aggressive sales management were considerably more important than sophisticated marketing. Halloran salespeople knew their "key" and "major" accounts on a personal level, were knowledgeable about their likes and dislikes, knew the names of their spouses and children, and entertained them often. Rather than an emphasis on analysis of relative profitability by size of order or size and type of customer, small customer selection was limited, informally, to (as typified by the time salespeople spent with various accounts) customers for whom the proportion of metal costs to total manufactured costs was low.

Halloran encouraged its salespeople to work closely with customers to try to understand their problems and priorities. Though Halloran offered 30-day credit terms, extensions were selectively allowed for accounts with, in Jim's words, "reasonably stable net worth," whenever sales management believed it necessary to maintain good customer relationships.

The Worcester Shuttle

To facilitate the overnight service it offered to its customers, Halloran conducted a shuttle operation at Worcester, Massachusetts. The Worcester facility was the only location that was

not a profit center. Instead, it was engaged in two roles: that of a flat-rolled steel-processing center, and as a hub of the shuttle operations among surrounding branches.

About 70% of the area at Worcester was devoted to the flat-rolled steel processing operation. Coils (strip metal continuously wound onto drums) from the mills were slit and blanked (sheared) to customer specifications. The processed metal was then shipped to a branch service center for delivery to the customer who had ordered it. Flat-rolled processing involved considerable equipment and represented Halloran's largest investment in plant and equipment. To minimize its investment, Halloran had developed a large part of its flat-roll equipment in-house. The replacement cost of the equipment at 2001 prices was considerably more than had been spent.

Shipments of processed flat-rolled steel to the branches varied in frequency and depended on the demand for flat-roll experienced at each branch. With trucks traveling from each center to Worcester on a regular basis, the Worcester facility was the ideal location for the shuttle system, by which branches could exchange metal. For instance, if Newburgh needed 1"-round, cold-finished bar, and Concord could provide the required quantity from its inventory, Concord would ship the metal to Worcester rather than directly to Newburgh. A truck from Newburgh would pick up the metal from Worcester along with any other products that might have been requested from other branches. Because of the branch specialization concept, products transferred from a branch were usually its special products, and the majority of the transfer requests by a branch were products in which other branches specialized. All transfers were arranged by a "tie-line" salesman who worked full time on intracompany metal exchanges, both for stock and customer orders. These exchanges were billed internally at cost.

Each branch had its own fleet of trucks that it used for both customer deliveries and for the shuttle operations. The company fleet, some 60 vehicles in total, consisted of two types of equipment. Trailers with 20-ton capacity were used for receiving, for intracompany product transfers and for occasional volume deliveries to customers. Smaller 10-ton trucks were used for the majority of customer deliveries. Approximately 30% of the company's trucking cost was for shuttle operations.

The number of trips to Worcester from the branches depended on the number of full truckloads to be exchanged. Some branches sent several trucks to Worcester every day; these shipped via the shuttle only once every other day. With a total area of over six acres, the Worcester facility had room for expansion of both its processing operation and the space needed for the shuttle operation.

Product transfers among the three western warehouses (Wilkes-Barre, Binghamton and Newburgh) were often not made via the shuttle. Instead, these facilities exchanged metal directly. When exchanging metal with other branches, however, the three western branches did use the shuttle. The Binghamton warehouse was somewhat of a special case, being only a year old.

We decided we couldn't fill Binghamton u with $4 million worth of "stuff everybody should have." Instead, we let Binghamton build up inventory slowly, so they can see what the market

wants and then decide how to specialize. As a result, Binghamton has really had to live off the shuttle. When you're the "new guy n the street," you get everybody's worst order. If you put in standard sizes, you won't sell any. If you put in the garbage, you'll end up with a warehouse stocked with $4 million dollars worth for garbage. You have to wait to put in key products until you get that kind of business.

Growth and Strategic Issues

In order to be able to live up is overnight delivery promise, Halloran's location policy pivoted around the strength of is local presence. The customer area serviced by a branch was restricted to a maximum of two hours driving time from warehouse to customer. Revenue growth could therefore come from:

1. Deeper penetration of existing areas by adding new customers and increasing share of business with existing customers;
2. Adding new products and widening the product line;
3. Increasing the level of processing offered; or,
4. Geographic expansion by introducing new branches.

Growth prospects based on deeper penetration were limited, according to Jim. New customer potential was almost nonexistent after a branch had been in operation for a couple of years. Aggressive attempts to increase share of business with an existing account were difficult since predatory moves could lead to price wars.

Halloran deliberately limited its own capacity to introduce new products on a corporate-wide basis. With the emphasis on branch autonomy, new product introductions were typically initiated by branch management. The one notable exception was steel pipe, the most recent addition to Halloran's product line. Pipe had been developed by the appointment of a product manager operating out of the Lynn headquarters, with all pipe inventory centrally located at Worcester. When local orders were generated for this product, the shuttle transported pipe back to the local branches. Steel pipe had become an important line, but Jim attributed this to the early interest one of the branch managers happened to have in the product line: "He was so good at pipe, we promoted him to staff, making him a pipe product manager."

Halloran currently provided Stage-One processing at its branches. Branches tended to have the processing capacity for their special product lines and, in some cases, additional facilities for some of the other products. Halloran's intermediate processing capability was limited to its flat-roll equipment at Worcester. Flat-rolled steel was the major growth product in New England and required more intermediate processing than any other product. Jim did not like being in the processing business any more than was absolutely necessary to provide adequate customer service, and had traditionally been very conservative about adding new processing capacity. "Investments for processing create the need to keep that equipment going. The bank would rather lend you money if your major investment is primarily liquid, standard inventory."

Other participants in the service center industry had been more aggressive and a few had even moved into preliminary fabrication.

Geographical expansion had provided Halloran with most of its growth in recent years. Rather than planned expansion into areas where the market had been carefully analyzed, historically much of this growth had occurred when the opportunity arose to buy out local competitors, often at substantially less than the sales value of the inventory so acquired. If the purchased facility was located close to a Halloran branch, the acquired warehouse was closed and its inventory and, perhaps more important its customer base, were taken over by the nearby Halloran branch. Alternatively, if the acquired warehouse was sufficiently far from existing branches, the facility could become a new Halloran warehouse. This depended largely on the existence of an individual within the company who had the ability and drive to exploit the potential market. Whether Halloran entered a new market by planned expansion or through an unanticipated acquisition, the right branch manager was key. Jim explained the process that followed:

We'll go in and buy a *little* depot, and we'll put a phone in the depot along with a potential manager. If that manager develops a customer base over a short period of time, then OK, let's go with it. We'll build him or her a warehouse or we'll buy one. That's the way we expand, and we expand a short distance at a time to tie in with our shuttle system. We grow by osmosis. We keep our investments as small as possible. That minimizes our risk and keeps us liquid.

Halloran's primary limit to growth was the ability to secure capital, given that the company was both highly leveraged and in an inventory intensive business. New facilities often cost as much as $8 million to build and equip with inventory. The high overhead meant that new branches had to make a market for themselves fairly rapidly. In the past, centers had taken as long as three years to become profitable, although the newest center, Binghamton, had broken even within three months. In general, new branches that were created by buying out a failing local competitor broke even more quickly than green field operations.

Occasionally, new branches were created as offshoots from nearby Halloran branches. Binghamton was opened to capitalize on new markets that had been developed by the Newburgh branch and could not be adequately serviced from there. Wilkes-Barre took over the customer base from a failing branch in Harrisburg, Pennsylvania, which was subsequently closed. Jim felt that the main problem at Harrisburg had been that the management group had not been aggressive or independent enough. He was satisfied with the Wilkes-Barre operation that had been able to double the business done with previous Harrisburg customers. In general, "Where we have good people we make money. Where we don't, we close and wait for a new manager to develop from within."

Service Center Competition in the Northeast

Halloran had several competitors in its market—both national and local firms. The national chains captive to integrated mills, while very large, were not currently a facto in the New England market, mainly because of "their overstructured management" and the inflexibility of

the product lines they carried. At the other end of the size spectrum, the smaller local firms had been hurt by the economic downturn and difficulty in maintaining liquidity.

The New England market for service centers was different from most the parts of the country. As Jim explained:

What you have to remember about New England, first of all, is that there is no reason for us to be here. Heavy industry is not here; technology is king. Yu can't start a business across the street [from Halloran] making wheel-hubs for Detroit, and compete with someone in Detroit. You get wiped out with the freight factor. Therefore, the only thing left for us up here is high technology. In the Midwest they sell thousands of tons of metal. In New England, we sell hundreds of pounds of metal, simply because of the market location.

The portion of the New England market that did offer bulk business to the service centers was, as a rule, more price competitive and attracted more of the larger local and regional competition When an order was large enough, service centers from adjacent regions would also participate. Most of the volume business in New England was in flat-rolled steel. Electronics and instrumentation equipment manufacturers had emerged as the major regional buyers and used flat-rolled steel in the production of cabinets and housings.

The small order business invited a different mix of competitors. Participants in this market tended to be local; rarely would a non-New England establishment attempt to secure an order. The exact mix of large and small order business was difficult to determine; order volume did not correspond to the size of the customer. In addition, individual customer requirements were constantly changing. Many ordered both large tonnage as well as small quantities depending on lead time from the steel mills, the urgency of the requirements, and internal inventory and production schedules.

The recent economic downturn had precipitated a marked shift in the service center business towards regional and local competition. The New England operation of one of the national service center companies was in the process of closing down. Another national competitor was rumored to be thinking along similar lines. Halloran's major competitor was another independent regional company—Allied Steel and Aluminum, a single-site operation located in Lowell, Massachusetts.

Allied Steel and Aluminum

Allied was the largest and oldest independent regional service center in the New England area. Funded in 1945, Allied was a publicly held company that had carved an impressive market position for itself with 2000 revenues of over $180 million (**Exhibit 6**).

Allied, like Halloran, had grown up in the small order business. However, while Halloran had grown by adding warehouses when the opportunity to acquire local competitors had arisen, Allied's growth had been achieved by adding volume to its Lowell facility. The Lowell operation occupied a total area of about 400,000 square feet by 2001, more than six times the size of Halloran's largest branch warehouse. The Lowell facility was the home of Allied's inventory as well as its extensive processing equipment.

Allied sold essentially the same mix of products as did Halloran and, through the early 1990s, pursued similar business opportunities. In 1995, a change in top management brought a distinct shift to Allied's marketing approach. Product manager positions were created and extensive analyses of profitability by product lines were conducted. Although historically Allied had served larger accounts than had Halloran, the changes made in 1995 dramatically exacerbated this difference. Allied pared down its customer list as well as its breadth of product sizes, concentrating more on large-volume customers as well as products that would move in truckload quantities. By 2001, Allied had approximately 3,000 customers to Halloran's 10,000. While Allied participated in all the product categories that Halloran carried, it carried only 60% of the 10,000 line items that Halloran sold.

Allied had made substantial investments in plant and equipment at its Lowell facility. Flat-rolled steel was its most important product category and the company had an investment of more than $20 million in flat-roll processing equipment. In the last two years, Allied had begun integrating forward by building up fabrication capacity.

As did Halloran, Allied operated its own fleet of trucks but offered its customers delivery in three to five days. Halloran had experienced some difficulties in the past in offering lower bids than Allied when both were competing for the same order. Allied frequently resorted to price cutting in order to increase volume.

February 2002

Jim leaned back from the papers spread out on his desk. He had just spent two days thinking about the recommendations he would need to present to the board in a few weeks.

For a long time now, Jim had been opposed to trying to "manage" Halloran's business. It had been his opinion that:

The worst thing you can do in our business is plan on the basis of a real solid long-term strategy and try to make it happen. In this industry, companies that do end up planning themselves out of business. The successful businesses in the coming years are going to be run by people who are scrambling like hell. The big, big, big companies are going to be in trouble. Centralized companies with their "how to" manuals and red tape take too long to get things done.

Jim realized that Halloran's multi-facility approach to its business made it more inventory intensive than its competition. He also realized that the firm's operating strategy made it difficult to d any significant contingency cost-cutting. Branches could not afford to lay off members of their relatively lean staffs nor trim their inventories without seriously affecting their operations and alienating loyal customers. Jim wondered if this might in fact be a reasonable time to steer Halloran on a new course. He knew it was critical that any change he recommended made sense, not just for now, but for Halloran's longer-term competitive position.

Exhibit 1 Halloran's 2000 and 2001 Financial Statements ($'000s)

Income Statement	**2001**	**2000**
Sales	$169,064	$157,564
Cost of materials	130,592	119,202
Gross margin	**$ 38,472**	**$ 38,362**
Operating Expenses:		
Warehouse	$8,896	$8,036
Trucking	5,728	5,358
Selling	7,846	6,932
Occupancy	3,016	2,522
General & administration expenses (G&A)	7,400	8,086
Total	**$ 32,886**	**$ 30,934**
Operating profit	$ 5,586	$ 7,428
Interest	2,966	2,762
Corporate expenses	1,828	1,932
Pretax profit	$ 792	$ 2,734
Income taxes	312	1,170
Net income	$ 480	$ 1,564
Sales (tons)	300,960	295,440
Assets		
Cash	$ 240	$ 1,584
Accounts receivable	20,164	17,964
Inventories	30,980	28,392
Prepaid expenses	54	184
Current assets	$ 51,438	$ 48,124
Property, plant & equipment (net)	19,128	19,966
Other assets	144	128
Total assets	**$ 70,710**	**$ 68,218**
Liabilities & Stockholders' Equity		
Accounts payable	$ 27,624	$ 24,626
Taxes payable	76	262
Current portion of long-term debt	2,052	1,736
Current liabilities	$ 29,752	$ 26,624
Long-term debt	21,038	21,384
Deferred taxes	896	1,310
Total liabilities	**$ 51,686**	**$ 49,318**
Total stockholders' equity	**$ 19,024**	**$ 18,900**

Exhibit 2 Steel-producing Process and Products

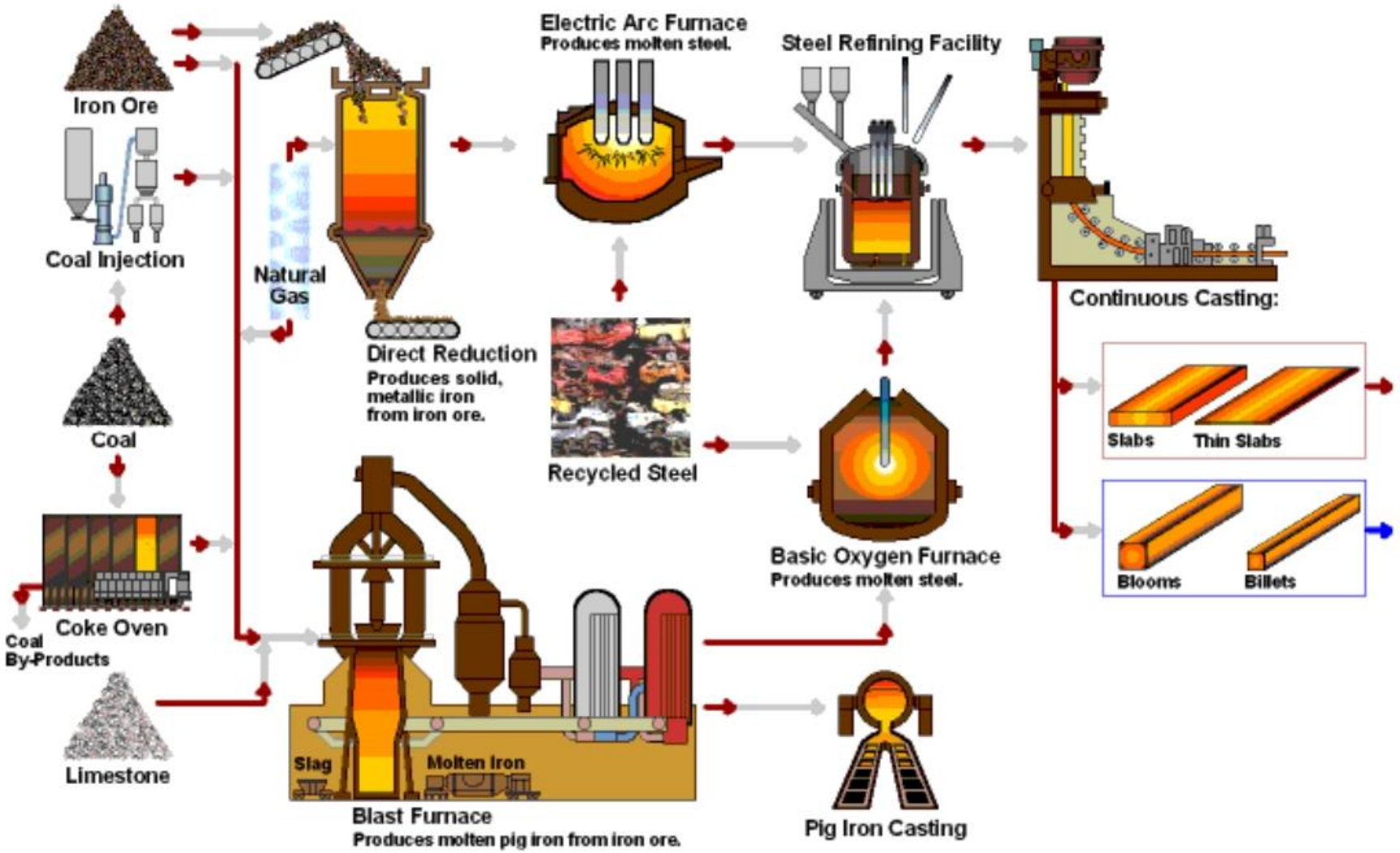
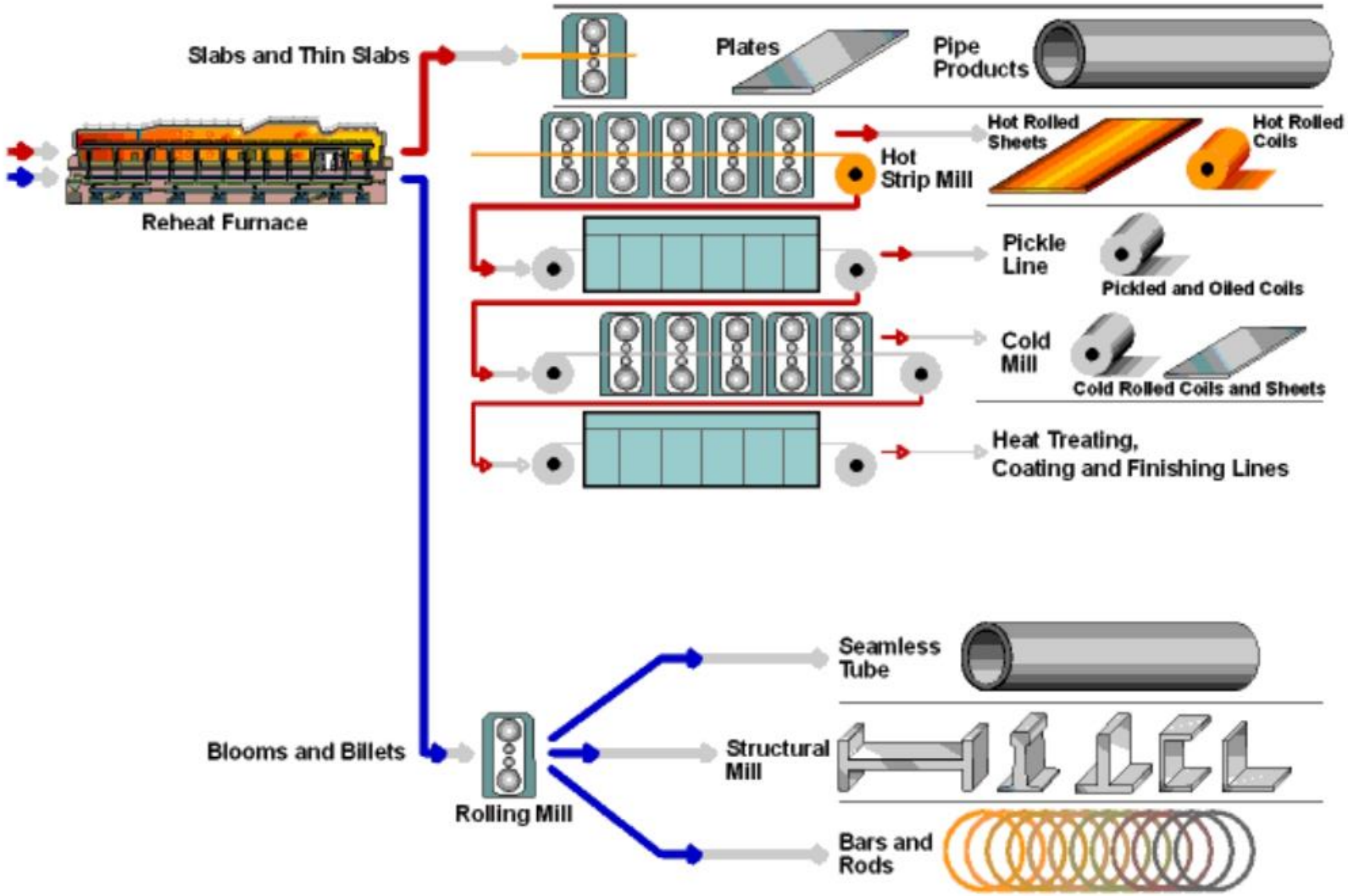


Exhibit 2 (continued)



Source: American Steel and Iron Institute, <<http://www.steel.org/learning/flowline/index.htm>>, 2002.

Exhibit 3: Halloran Facilities

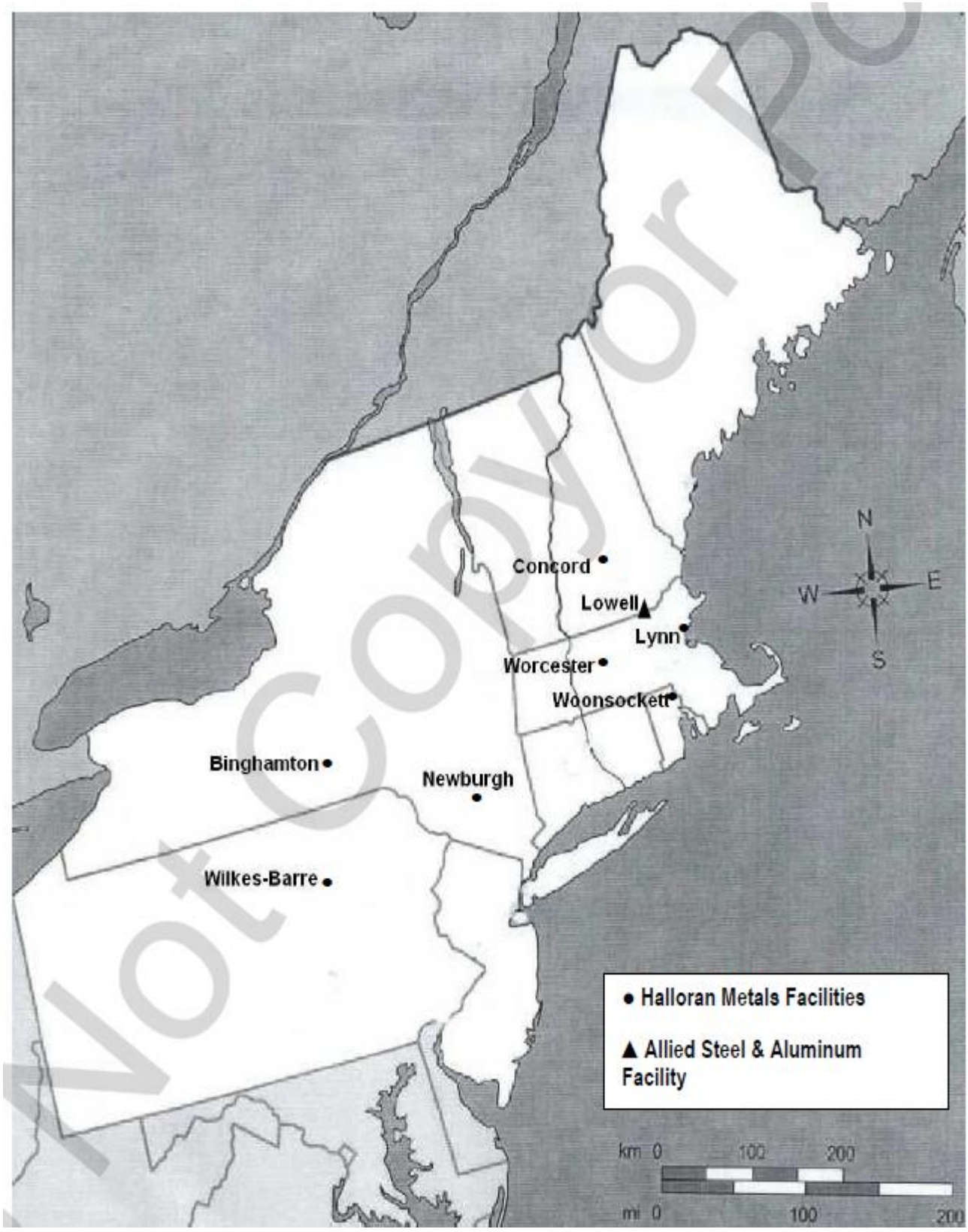


Exhibit 4: Organization Chart

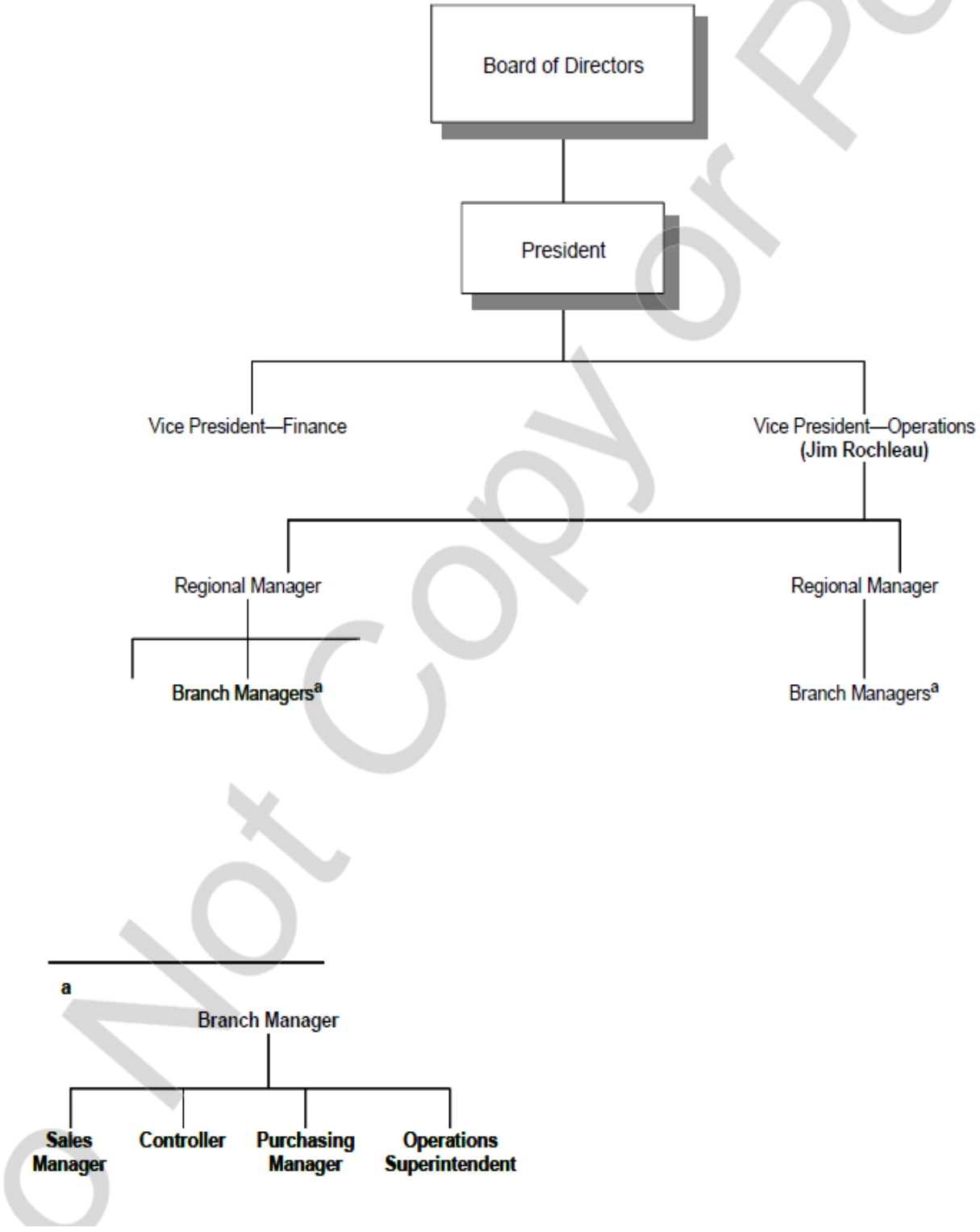


Exhibit 5 2001 Sales Mix (in dollars)

Corporate Lynn

	(all branches)	Branch
Hot-Rolled Steel		
Hot-rolled plate	12.8%	2.6%
Pipe and tubing	11.6	4.4
Hot-rolled bars and bar shapes	10.7	5.2
Hot-rolled structurals	7.1	1.2
Hot-rolled sheets	5.1	2.9
	47.3%	16.3%
Cold-Rolled Steel		
Flat-rolled steel	12.3%	34.8%
Cold-finished bars	11.0	11.0
Cold-rolled sheets	3.5	7.9
Galvanized sheets	2.8	3.5
	29.6%	57.2%
Aluminum	12.7%	15.4%
Stainless, Alloys and Others		
Stainless steel	6.6%	7.6%
Alloy	1.6	1.7
Others	2.2	1.8
	10.4%	11.1%
TOTAL	**100.0%**	**100.0%**

Source: Company records.

Exhibit 6: Allied Steel and Aluminum, 2000 and 2001 Financial Statements ($'000s)

	2001	2000
Income Statement		
Sales ($)	176,520	185,594
Cost of materials	158,314	159,249
Gross margin	18,206	26,345
Operating expenses	17,032	17,446
Operating profit	1,174	8,899
Interest	1,218	1,114
Pretax profit	(44)	7,794
Income taxes	--	3,684
Net profit	(44)	4,110
Sales (tons)	**375,450**	**415,500**
Assets		
Cash	798	1,988
Accounts receivable	25,180	24,282
Inventories	19,364	19,778
Prepaid expenses	176	340
Current assets	45,518	46,388
Property, plant & equipment (net)	29,490	27,134
Other assets	602	500
Total Assets	**75,610**	**74,022**
Liabilities and Stockholders' Equity		
Accounts payable	20,122	18,478
Taxes payable	158	322
Current portion of long-term debt	1,584	1,792
Notes payable	846	1,312
Current liabilities	22,710	21,904
Long-term debt	12,916	12,762
Deferred taxes	1,772	2,320
Total liabilities	37,398	36,986
Total stockholders' equity	38,212	37,036
Total Liabilities and Stockholders' Equity	**75,610**	**74,022**