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                CENTRAL INDEX KEY:                      0000795665
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                IRS NUMBER:                             942835068
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                STATE:                  IL
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                STATE:                  IL
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED MARCH 31, 2003

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 0-14836

METAL MANAGEMENT, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<Table>
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DELAWARE	94-2835068
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

</Table>

500 NORTH DEARBORN ST., SUITE 405,
CHICAGO, IL 60610
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (312) 645-0700

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
COMMON STOCK, $.01 PAR VALUE
SERIES A WARRANTS (EXPIRATION DATE JUNE 29, 2006)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [ ] No [X]

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [X] No [ ]

As of September 30, 2002, the aggregate market value of voting stock held by non-affiliates of the registrant was approximately $21.0 million.

As of May 14, 2003, the registrant had 10,152,631 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

We expect to file a definitive proxy statement no later than July 29, 2003. Portions of such proxy statement are incorporated by reference into Part III of this annual report on Form 10-K.

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METAL MANAGEMENT, INC.
FORM 10-K FOR THE FISCAL YEAR ENDED MARCH 31, 2003
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Certain statements contained in this Form 10-K under Item 1, in addition to certain statements contained elsewhere in this Form 10-K, including statements qualified by the words "believe," "intend," "anticipate," "expects" and words of similar import, are "forward-looking statements" and are thus prospective. These statements reflect the current expectations of Metal Management, Inc. (herein, "Metal Management," the "Company," "we," "us" or other similar terms) regarding (i) our future profitability and liquidity and that of our subsidiaries, (ii) the benefits to be derived from the execution of our industry consolidation strategy and (iii) other future developments in our business or the scrap metals recycling industry. All such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. These risks, uncertainties and other factors are discussed under the heading "Risk Factors" in Part I, Item 1 of this report.

PART I

ITEM 1. BUSINESS

GENERAL

We are one of the largest full-service metals recyclers in the United States, with recycling facilities located in 13 states. We enjoy leadership positions in many major metropolitan markets, including Birmingham, Chicago, Cleveland, Denver, Hartford, Houston, Memphis, Newark, Phoenix, Salt Lake City, Toledo and Tucson. We have a 28.5% equity ownership position in Southern Recycling, L.L.C. ("Southern"), one of the largest scrap metals recyclers in the Gulf Coast region. Our operations primarily involve the collection and processing of ferrous and non-ferrous metals. We collect industrial scrap metal and obsolete scrap metal, process it into reusable forms and supply the recycled metals to our customers, including electric arc furnace mills, integrated steel mills, foundries, secondary smelters and metal brokers. In addition to buying, processing and selling ferrous and non-ferrous scrap metals, we are periodically retained as demolition contractors in certain of our large metropolitan markets in which we dismantle obsolete machinery, buildings and other structures containing metal and, in the process, collect both the ferrous and non-ferrous metals from these sources. At certain of our locations adjacent to commercial waterways, we provide stevedoring services. We also operate a bus dismantling business combined with a bus replacement parts business at our Northeast operations.

We believe that we provide one of the most comprehensive product offerings of both ferrous and non-ferrous scrap metals. Our ferrous products primarily include shredded, sheared, cold briquetted, bundled scrap metal, and other purchased scrap metal, such as turnings, cast and broken furnace iron. We also process non-ferrous metals, including aluminum, copper, stainless steel, brass, titanium and high-temperature alloys, using similar techniques and through application of our proprietary technologies.

We have achieved a leading position in the metals recycling industry primarily by implementing a national strategy of completing and integrating regional acquisitions. In making acquisitions, we have focused on major metropolitan markets where prime industrial and obsolete scrap metals (automobiles, appliances and industrial equipment) are readily available and from where we believe we can better serve our customer base. In pursuing this strategy, we acquired certain large regional companies to serve as platforms into which subsequent acquisitions would be integrated. We believe that through the integration of our acquired businesses, we have enhanced our competitive position and profitability of the operations because of broader distribution channels, improved managerial and financial resources, enhanced purchasing power and increased economies of scale.

RECENT DEVELOPMENTS

On May 23, 2003, we amended our $115 million credit agreement to extend the

maturity date to June 7, 2004. We paid a fee of approximately $0.3 million for this amendment.

On January 30, 2003, we announced that we received a subpoena requesting that we provide documents to a grand jury that is investigating scrap metal purchasing practices in the four state region of Ohio, Illinois, Indiana and Michigan. We are fully cooperating with the subpoena and the grand jury's investigation. To date,

we have incurred approximately $0.2 million of legal fees associated with responding to the subpoena. We are not able at this preliminary stage to determine future legal costs or other costs to be incurred by us in responding to such subpoena or other impact to us of such investigation.

In October 2002, we acquired certain assets of a scrap metals recycling company for $3.3 million in cash (including transaction costs). This represented the first acquisition made by us in over three years and, consistent with our strategy, the acquisition was a "tuck-in" into one of our existing platforms. Although we have no other significant pending acquisitions, we may choose to pursue other acquisitions in the future. We believe that as a result of our improved financial results and liquidity, we are well positioned to take advantage of future acquisition opportunities, if they become available on reasonable terms.

In March 2002, the United States federal government ("U.S.") determined that it would impose tariffs on imports of steel in response to surging steel imports that caused many U.S. steel mills to file for bankruptcy protection. The tariffs apply to steel imports from many countries and the tariffs range from 8% to 30%. The tariffs are staged in over three years. The tariffs vary by product category based on the extent of the damage caused by import surges to different segments of the steel industry. Generally, the tariffs decline over the three-year term of the new trade laws. The tariffs are expected to provide temporary relief to U.S. steel producers and encourage both additional production of steel in the U.S. and in the longer term cause a restructuring of the steel industry from a global supply perspective both domestically and globally. In response to the U.S. tariffs, the European Union imposed similar tariffs on imported steel products.

We believe that many of our domestic customers may benefit during the term of the tariffs and produce greater amounts of steel domestically. As a result, we believe that the tariffs may result in an increased demand for scrap metals in order to produce more steel in the U.S. It is uncertain however, if domestic production of steel is increased as a consequence of the tariffs, whether U.S. steel producers will seek to purchase the incremental raw material requirements from domestic processors of scrap metals or from other international markets. Additionally, domestic steel producers may choose to increase their consumption of scrap substitutes such as pig iron or other scrap substitutes to satisfy any incremental raw material requirements.

INTEGRATION AND BRANDING INITIATIVES

We continue to integrate our operations to take advantage of operational efficiencies and cost savings. By way of example, we have consolidated many of our administrative efforts including sales and marketing, accounting, transportation, procurement of services and employee benefits. Through our integration efforts, we are also standardizing the reporting systems and business practices of our operations so that we are better able to evaluate operating performance. Although we believe that cost savings from the elimination of redundant functions has been an important benefit of consolidation, we hope to realize additional cost benefits from the implementation of our best management practices across the country. Additionally, a component of our integration strategies includes the development of national account and branding programs.

We believe that our strategy of creating brand awareness for the Metal Management name will help create awareness among our customers of the size and geographic scope of our operations and the breadth of our product offerings. We believe this will benefit us as our customers consolidate their supplier base to create purchasing efficiencies.

INDUSTRY OVERVIEW

According to the Institute of Scrap Recycling Industries, the scrap metals recycling industry is a $20 billion industry. According to the U.S. Geological Survey, an estimated 72 million metric tons of steel was recycled in steel mills and foundries in 2002. Although significant consolidation has occurred in the scrap metals industry during the past several years, the scrap metals industry remains highly fragmented. We believe the scrap metals industry is comprised of more than 3,000 independent metals recyclers. Many of these companies are family-owned and operate only in local or regional markets. We believe that no single scrap

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metals recycler has a significant share of the domestic market, although certain recyclers may have significant shares of their local or regional markets.

Ferrous Scrap Industry

Ferrous scrap, used in most steel making processes, is the primary raw material for mini-mill steel producers that utilize electric arc furnace, or EAF, technology. Ferrous scrap is also utilized in the production of steel by integrated steel producers although to a lesser degree than EAF producers. Ferrous scrap sells as a commodity in international markets which are affected by varying economic conditions, fluctuating currencies, and the availability of ocean-going vessels and their related costs. By way of example, in calendar 2001, there was an increase in scrap imports by the U.S. from Europe and reduced export opportunities for scrap metals from the United States as a result of a strong U.S. dollar. In calendar 2002, the scrap export opportunities increased as a result of, among other factors, the weakening U.S. dollar. Additionally, demand for processed ferrous scrap is highly dependent on the overall strength of the domestic steel industry, particularly production utilizing EAF technology. Weak industry conditions caused declines in both pricing and demand for ferrous scrap from mid-1998 to 2001. As a consequence of improved levels of steel production in the U.S. coupled with robust export markets for ferrous scrap, our ferrous metals business has improved. However, ferrous prices can fluctuate greatly from month to month affecting our results.

Much of the growth in the scrap metals industry in recent years has occurred as a result of the proliferation of mini-mill steel producers which utilize EAF technology. According to the U.S. Geological Survey, EAF production as a percentage of total domestic steel production has increased from 38% in 1991 to 51% in 2002. We expect that EAF processors will increase their market share prospectively. We believe that as a large, reliable supplier of scrap metals, we are well positioned to benefit from the growth in steel market share associated with EAF production.

The growth in EAF production in recent years has been fueled, in part, by the historically low prices of prepared ferrous scrap and faster conversion time to process, which gives EAF producers a product cost advantage over integrated steel producers. Integrated steel producers operate blast furnaces, the primary raw material feedstock of which are coke and iron ore. If the price of ferrous scrap metals were to significantly increase, EAF operators may evaluate alternatives to prepared steel scrap, such as pre-reduced iron pellets or pig iron, to supply their EAF operations. We do not believe that these alternatives to ferrous scrap will replace ferrous scrap in EAF operations, but may be used as a supplemental feedstock thereby allowing EAF operators to utilize lower grades of prepared scrap.

Due to its low price-to-weight ratio, raw ferrous scrap is generally purchased locally from industrial companies, demolition firms, railroads, scrap dealers, peddlers, auto wreckers, and various other sources, typically in the form of automobile hulks, appliances and plate and structural steel. Ferrous scrap prices are local and regional in nature, however, where there are overlapping regional markets, the prices do not tend to differ significantly between the regions due to the ability of companies to ship scrap from one region to another. The most significant limitation on the size of the geographic market for ferrous scrap is the transportation cost. Therefore, large volume scrap processing facilities are typically located on or near key modes of transportation, such as railways and waterways.

Non-Ferrous Scrap Industry

Non-ferrous metals include aluminum, copper, brass, stainless steel, titanium, high-temperature alloys and other exotic metals. The geographic markets for non-ferrous scrap tend to be larger than those for ferrous scrap due to the higher selling prices of non-ferrous metals, which justify the cost of shipping over greater distances. Non-ferrous scrap is typically sold on a spot basis, either directly or through brokers, to intermediate or end-users, which include smelters, foundries and aluminum sheet and ingot manufacturers. Prices for non-ferrous scrap are driven by demand for finished non-ferrous metal goods and by the general level of economic activity, with prices generally linked to the price of the primary metal on the London Metals Exchange or COMEX. Suppliers and consumers of non-ferrous metals can also use these exchanges to hedge against future price fluctuations by buying or selling futures contracts.

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Secondary smelters, utilizing processed non-ferrous scrap as raw material, can produce non-ferrous metals at a lower cost than primary smelters producing such metals from ore. This is due to the significant savings in energy consumption, environmental compliance, and labor costs enjoyed by the secondary smelters. These cost advantages, and the long lead-time necessary to construct new non-ferrous primary smelting facilities, have historically resulted in

sustained demand and strong prices for processed non-ferrous scrap during periods of high demand for finished non-ferrous metal products.

Non-ferrous scrap is typically generated and supplied to us by: (i) manufacturers and other sources that process or sell non-ferrous metals; (ii) telecommunications, aerospace, defense and recycling companies that generate obsolete scrap consisting primarily of copper wire, used beverage cans and other non-ferrous metal alloys; and (iii) ferrous scrap operations that recover aluminum, zinc, die-cast metal, stainless steel and copper as by-products from processing of ferrous scrap. The most widely recycled non-ferrous metals are aluminum, copper and stainless steel.

RECYCLING OPERATIONS

Our recycling operations encompass buying, processing and selling scrap metals. The principal forms in which scrap metals are generated include industrial scrap and obsolete scrap. Industrial scrap results as a by-product generated from residual materials from metals manufacturing processes. Obsolete scrap consists primarily of residual metals from old or obsolete consumer and industrial products such as appliances and automobiles.

Ferrous Operations

Ferrous Scrap Purchasing. We purchase ferrous scrap from two primary sources: (i) manufacturers who generate steel and iron, known as prompt or industrial scrap; and (ii) scrap dealers, peddlers, auto wreckers, demolition firms, railroads and others who generate steel and iron scrap, known as obsolete scrap. In addition to these sources, we purchase, at auction, furnace iron from integrated steel mills and obsolete steel and iron from government and large industrial accounts. Market demand and the composition, quality, size, and weight of the materials are the primary factors that determine prices.

Ferrous Scrap Processing. We prepare ferrous scrap metal for resale through a variety of methods including sorting, shredding, shearing, cutting, baling, briquetting or breaking. We produce a number of differently sized and shaped products depending upon customer specifications and market demand.

Sorting. After purchasing ferrous scrap metal, we inspect the material to determine how it should be processed to maximize profitability. In some instances, scrap may be sorted and sold without further processing. We separate scrap for further processing according to its size and composition by using conveyor systems, front-end loaders, crane-mounted electromagnets or claw-like grapples.

Shredding. Obsolete consumer scrap such as automobiles, home appliances and other consumer goods, as well as certain light gauge industrial scrap, is processed in our shredding operation. These items are fed into a shredder that quickly breaks the scrap into fist-size pieces of ferrous metal. The shredding process uses magnets and other technologies to separate ferrous, non-ferrous and non-metallic materials. The ferrous material is sold to our customers, including mini-mills. We recover non-ferrous metals as a by-product from the shredding process that we refer to as Zorba. Zorba is sold through monthly auctions to customers that sort and recover intrinsic metals from the Zorba. The non-metallic by-product of the shredding operations, referred to as "shredder fluff," is disposed of in third-party landfills.

Shearing or Cutting. Pieces of oversized ferrous scrap, such as obsolete steel girders and used drill pipes, which are too large for other processing, are cut with hand torches, crane-mounted alligator shears or stationary guillotine shears. After being reduced to specific lengths or sizes, the scrap is then sold to those customers who can accommodate larger materials, such as mini-mills.

Baling. We process light-gauge ferrous metals such as clips and sheet iron, and by-products from industrial manufacturing processes, such as stampings, clippings and excess trimmings, by baling these

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materials into large, uniform blocks. We use cranes, front-end loaders and conveyors to feed the metal into hydraulic presses, which compress the materials into uniform blocks at high pressure.

Briquetting. We process borings and turnings made of steel and iron into briquettes using cold briquetting methods, and subsequently sell these briquettes to steel mills or foundries. We possess the technology to control the metallurgical content of briquettes to meet customer specifications.

Breaking of Furnace Iron. We process furnace iron which includes blast furnace iron, steel pit scrap, steel skulls and beach iron. Large pieces of iron are broken down by the impact of forged steel balls dropped

from cranes. The fragments are then sorted and screened according to size and iron content.

Ferrous Scrap Sales. We sell processed ferrous scrap to end-users such as steel mini-mills, integrated steel makers and foundries, and brokers whom aggregate materials for other large users. Most of our customers purchase processed ferrous scrap according to a negotiated spot sales contract which establishes the quantity purchased for the month. The price we charge for ferrous scrap depends upon market demand, as well as quality and grade of the scrap. In many cases, our selling price also includes the cost of transportation to the end-user. We believe our profitability may be enhanced by our offering a broad product line to our customers. Our ferrous scrap sales are accomplished through a monthly sales program managed nationally. We believe that our coordinated ferrous marketing initiatives will allow us to be a uniquely capable supplier of scrap as we are able to fill larger quantity orders due to our ability to secure large amounts of raw materials.

Non-Ferrous Operations

Non-Ferrous Scrap Purchasing. We purchase non-ferrous scrap from three primary sources: (i) manufacturers and other non-ferrous scrap sources who generate or sell waste aluminum, copper, stainless steel, brass, high-temperature alloys and other metals; (ii) producers of electricity, telecommunication service providers, aerospace, defense, and recycling companies that generate obsolete scrap consisting primarily of copper wire, titanium and high-temperature alloys and used aluminum beverage cans; and (iii) peddlers who deliver directly to our facilities material which they collect from a variety of sources. We also collect non-ferrous scrap from sources other than those that are delivered directly to our processing facilities by placing retrieval boxes near these sources. The boxes are subsequently transported to our processing facilities.

A number of factors can influence the continued availability of non-ferrous scrap such as the level of manufacturing activity and the quality of our supplier relationships. Consistent with industry practice, we have certain long-standing supply relationships which generally are not the subject of written agreements.

Non-Ferrous Scrap Processing. We prepare non-ferrous scrap metals, principally stainless steel, copper and aluminum, for resale by sorting, shearing, cutting, chopping or baling.

Sorting. Our sorting operations separate non-ferrous scrap by using conveyor systems and front-end loaders. In addition, many non-ferrous metals are sorted and identified by using grinders, hand torches, eddy current separation systems and spectrometers. Our ability to identify metallurgical composition is critical to maximizing high margins and profitability. Due to the high value of many non-ferrous metals, we can afford to utilize more labor-intensive sorting techniques than are employed in our ferrous operations. We sort non-ferrous scrap for further processing according to type, grade, size and chemical composition. Throughout the sorting process, we determine whether the material requires further processing before being sold.

Copper. Copper scrap may be processed in several ways. We process copper scrap predominantly by using a wire chopping line which grinds the wire into small pellets. During chopping operations, the plastic casing of the wire is separated from the copper using a variety of techniques. In addition to wire chopping, we process copper scrap by baling and other repacking methods to meet customer specifications.

Aluminum and Stainless Steel. We process aluminum and stainless steel based on the size of the pieces and customer specifications. Large pieces of aluminum or stainless steel are cut using crane-mounted alligator shears and stationary guillotine shears and are baled along with small aluminum or

stainless steel stampings to produce large bales of aluminum or stainless steel. Smaller pieces of aluminum and stainless steel are repackaged to meet customer specifications.

Other Non-Ferrous Materials. We process other non-ferrous metals using similar cutting, baling and repacking techniques as used to process aluminum. Other significant non-ferrous metals we process include titanium, brass and high-temperature alloys.

Non-Ferrous Scrap Sales. We sell processed non-ferrous scrap to end-users such as specialty steelmakers, foundries, aluminum sheet and ingot manufacturers, copper refineries and smelters, and brass and bronze ingot manufacturers. Prices for the majority of non-ferrous scrap metals change based upon the daily publication of spot and futures prices on the COMEX or London Metals Exchange.

SEASONALITY AND OTHER CONDITIONS

Our operations can be adversely affected by protracted periods of inclement weather or reduced levels of industrial production, which may reduce the volume of material processed at our facilities. In addition, periodic maintenance shutdowns or labor disruptions at our larger customers may have an adverse impact on our operations. Our business generally experiences seasonal slowness in the months of July and December, as customers tend to reduce production and inventories.

EMPLOYEES

At March 31, 2003, we had 1,471 employees, 729 of whom were covered by collective bargaining agreements. A strike or work stoppage could impact our ability to operate if we were unable to negotiate new agreements with our represented employees. Also, our profitability could be adversely affected if increased costs associated with any future contracts are not recoverable through productivity improvements, price increases or cost reductions. We believe that we have good relations with our employees.

CAPITAL EXPENDITURES

The scrap metals recycling business is capital intensive. In fiscal 2003, we invested approximately $8.5 million for replacement of equipment and expansion of our operations. We currently expect to spend between $12 million and $16 million in capital expenditures including those to improve environmental control systems during fiscal 2004.

SIGNIFICANT CUSTOMERS

In fiscal 2003, our 10 largest customers represented approximately 41% of consolidated net sales. These customers comprised approximately 49% of consolidated accounts receivable at March 31, 2003. Sales to The David J. Joseph Company, our largest customer and an agent for Nucor Corporation and certain other mills, represented approximately 15% of our consolidated net sales in fiscal 2003. The loss of any one of our significant customers could have a material adverse effect on our results of operations and financial condition.

We historically have not experienced material losses from the noncollection of accounts receivables. However, from April 2000 to March 2002, weak market conditions in the steel sector led to bankruptcy filings by certain of our customers including, but not limited to, LTV Steel Company, Inc. and Northwestern Steel and Wire Company. These bankruptcy filings by our customers resulted in uncollected receivables of approximately $8 million.

EXPORT SALES

In fiscal 2003, export sales represented approximately 14% of consolidated net sales. At March 31, 2003, receivables from foreign customers represented approximately 3% of consolidated accounts receivable.

COMPETITION

The markets for scrap metals are highly competitive, both in the purchase of raw scrap and the sale of processed scrap. With regard to the purchase of raw scrap, we compete with numerous independent recyclers, as well as smaller scrap companies engaged only in collecting industrial scrap. Successful procurement of materials is determined primarily by the price offered by the purchaser for the raw scrap and the proximity of the processing facility to the source of the raw scrap. With regard to the sale of processed scrap, we compete in a global market. Competition for sales of processed scrap is based primarily on the price and quality of the scrap metals, as well as the level of service provided in terms of reliability and timing of delivery. We believe that our ability to process substantial volumes, deliver a broad product line to consumers, collect and sell scrap in regional, national and international markets, and to provide other value-added services to our customers gives us a competitive advantage.

We face potential competition for sales of processed scrap from producers of steel products, such as integrated steel mills and mini-mills, which may vertically integrate their current operations by entering the scrap metals recycling business. Many of these producers have substantially greater financial, marketing and other resources. Scrap metals processors also face competition from substitutes for prepared ferrous scrap, such as pre-reduced iron pellets, hot briquetted iron, pig iron, iron carbide and other forms of processed iron. The availability of substitutes for ferrous scrap could result in a decreased demand for processed ferrous scrap, which could result in lower prices for such products.

BACKLOG

The processing time for scrap metals is generally short which permits us to fill orders for most of our products in time periods of generally less than thirty days. Accordingly, we do not consider backlog to be material to our business.

PATENTS AND TRADEMARKS

Although our subsidiaries and we own certain patents and trademarks, we do not believe that our business is dependent on these intellectual property rights and the loss of any patent or trademark or the use thereof would not be material to our business.

CHAPTER 11 FILING AND EMERGENCE

On November 20, 2000 (the "Petition Date"), we filed voluntary petitions (Case Nos. 00-4303 -- 00-4331 (SLR)) under Chapter 11 of the U.S. Bankruptcy Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). From November 20, 2000 to June 29, 2001, we operated our businesses as debtors-in-possession. These bankruptcy proceedings are referred to herein as the "Chapter 11 proceedings."

On May 4, 2001, we filed a plan of reorganization (the "Plan") pursuant to Chapter 11 of the Bankruptcy Code. The Plan was confirmed by the Bankruptcy Court and became effective on June 29, 2001 (the "Effective Date"). On September 17, 2002, a Final Decree Motion was approved by the Bankruptcy Court, which officially closed our Chapter 11 proceedings. In the Chapter 11 proceedings, virtually all suppliers of scrap metals were paid their pre-petition claims as critical vendors. Additionally, the Plan provided for the conversion of approximately $211.9 million of unsecured debt and other liabilities into common stock, which strengthened our capitalization.

In connection with our emergence from bankruptcy, we reflected the terms of the Plan in our audited consolidated financial statements by adopting fresh-start reporting in accordance with AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code." Under fresh-start reporting, a new reporting entity is deemed to be created and the recorded amounts of assets and liabilities are adjusted to reflect their estimated fair values. For accounting purposes, the fresh-start adjustments were recorded in our audited consolidated financial statements as of June 30, 2001. As used in

this report, the term "Predecessor Company" refers to our operations for periods prior to the Effective Date, while the term "Reorganized Company" refers to our operations for periods after the Effective Date.

AVAILABLE INFORMATION

We make available, free of charge, through our website, among other things, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after they have been electronically filed with the Securities and Exchange Commission. These reports can be obtained by accessing our website at www.mtlm.com. Please note that our Internet address is included in this annual report on Form 10-K as an inactive textual reference only. Information contained on our website is not incorporated by reference into this annual report on Form 10-K and should not be considered a part of this report.

RISK FACTORS

Set forth below are risks that we believe are material to our business operations. Additional risks and uncertainties not known to us or that we currently deem immaterial may also impair our business operations.

We are highly leveraged.

As of March 31, 2003, we had $89.6 million of debt outstanding. Subject to certain restrictions, exceptions and financial tests set forth in certain of our debt instruments (see Risk Factor "Our indebtedness contains covenants that restrict our ability to engage in certain transactions"), we may incur additional indebtedness in the future. The degree to which we are leveraged could have important negative consequences to the holders of our securities, including the following:

- a substantial portion of our cash flow from operations will be needed to pay debt service and will not be available to fund future operations;

- our ability to obtain additional future financing for acquisitions, capital expenditures, working capital or general corporate purposes could be limited;

- we have increased vulnerability to adverse general economic and metals

recycling industry conditions; and

- we are vulnerable to higher interest rates because interest expense on borrowings under our $115 million credit agreement due June 7, 2004 (the "Credit Agreement") are based on interest rates equal to a base rate that is variable.

Our business may not generate sufficient cash flow from operations and future working capital borrowings may not be available in an amount sufficient to enable us to service our indebtedness, or make necessary capital expenditures.

Our Credit Agreement and Junior Secured Notes become due in June 2004 and we may be unable to find replacement financing.

Our Credit Agreement expires on June 7, 2004. Our 12 3/4%, $31.5 million secured notes (the "Junior Secured Notes") mature on June 15, 2004. In order for us to repay our obligations under the Junior Secured Notes, we will be required to either obtain alternative financing or renew or extend our Credit Agreement. Although we expect to be able to renew the Credit Agreement prior to June 2004, there is no assurance that this will be the case. If we cannot renew our Credit Agreement, we may be required to seek alternative financing for our working capital needs and to retire the Junior Secured Notes. The terms on which we may be able to obtain replacement financing may not be as favorable as under the Credit Agreement or the Junior Secured Notes which could increase borrowing costs, result in adverse changes to covenants, and may cause dilution to holders of our common stock. If we are not able to extend or renew our Credit Agreement and cannot obtain alternative financing, we will not be able to generate sufficient cash flows from operations to satisfy all of our obligations as they mature in fiscal 2005.

Our indebtedness contains covenants that restrict our ability to engage in certain transactions.

Our Credit Agreement and the indenture governing our Junior Secured Notes contain covenants that, among other things, restrict our ability to:

- incur additional indebtedness;

- pay dividends;

- prepay subordinated indebtedness;

- dispose of some types of assets;

- make capital expenditures;

- create liens and make acquisitions; and

- engage in some fundamental corporate transactions.

Under our Credit Agreement, we are required to satisfy specified financial covenants, including an interest coverage ratio of 2.10 to 1.00 and a leverage ratio of 4.25 to 1.00 (each for the twelve month period ending each fiscal quarter).

Although we expect to be able to achieve these financial covenants, our ability to comply with these covenants may be affected by general economic conditions, industry conditions, and other events beyond our control. Our breach of any of these covenants could result in a default under our Credit Agreement. In the event of a default, the lenders could elect to declare all amounts borrowed under our Credit Agreement, together with accrued interest, to be due and payable. In addition, a default under the indenture governing our Junior Secured Notes would constitute a default under our Credit Agreement and possibly other instruments governing our other indebtedness.

The indenture governing our Junior Secured Notes contains restrictions on our ability to incur additional indebtedness, subject to certain exceptions, unless we meet a fixed charge coverage ratio of 2.0 to 1.0 for the immediately preceding four calendar quarters. Our ability to incur additional indebtedness to maintain necessary levels of liquidity may be limited.

The bankruptcy may have created a negative image of us.

The effect, if any, which our bankruptcy proceedings may have on our future operations cannot be accurately predicted or quantified. We believe that our bankruptcy and consummation of our Plan has not had a material impact on our relationships with our customers, employees and suppliers. Nevertheless, there could be a detrimental impact on future sales and patronage because of the negative image of us that may have been created by our bankruptcy.

The metals recycling industry is highly cyclical and export markets can be

volatile.

The operating results of the scrap metals recycling industry in general, and our operations specifically are highly cyclical in nature. They tend to reflect and be amplified by general economic conditions, both domestically and internationally. Historically, in periods of national recession or periods of slowing economic growth, the operations of scrap metals recycling companies have been materially and adversely affected. For example, during recessions or periods of slowing economic growth, the automobile and the construction industries typically experience major cutbacks in production, resulting in decreased demand for steel, copper and aluminum. This leads to significant fluctuations in demand and pricing for our products. Economic downturns in the national and international economy would likely materially and adversely affect our results of operations and financial condition. Our ability to withstand significant economic downturns in the future will depend in part on our level of capital and liquidity.

Our business may also be adversely affected by increases in steel imports into the United States which will generally have an adverse impact on domestic steel production and a corresponding adverse impact on the demand for scrap metals. Additionally, our business could be negatively affected by strengthening in the U.S.

dollar. For example, beginning in July 1998, the domestic steel industry and, in turn, the metals recycling industry suffered a dramatic and precipitous collapse, resulting in a significant decline in the price and demand for scrap metals. The decline in the steel and scrap metal sectors was the result, in large part, of the increase in steel imports flowing into the United States during the last six months of 1998 and our results of operations were adversely impacted by reduced steel production in the United States during fiscal 1999. Export markets, including Asia and in particular China, are important to us. Weakness in economic conditions in Asia and in particular slowing growth in China could negatively affect us.

During fiscal 2001, our business was adversely affected by slowing economies and a strong U.S. dollar. The slowing domestic economy caused operating rates at U.S. steel producers to decline. Consequently, our unit sales declined and precluded us from generating sufficient margins to cover our fixed charges, causing substantial losses. The strong dollar not only precluded us from exporting scrap metal, but also served as a mechanism that attracted scrap metal to the United States from other countries which further depressed prices for our products in the U.S.

During most of fiscal 2002, our business was negatively affected by our bankruptcy, the recession in the U.S. and a slowdown in industrial production. In January 2002, our ferrous business began to demonstrate a recovery and has remained strong through fiscal 2003. Ferrous markets improved as a result of increased demand from domestic and international steel mills. However, the slowdown in industrial production has impacted our purchases of industrial scrap which also limits sales and profitability.

While ferrous markets improved in fiscal 2003, our non-ferrous business, including stainless steel, wire chopping and high-temperature alloy businesses, still continues to be weak. Stainless steel and hi-temperature alloy markets are still impacted by a slow-down in the aerospace business (after the events of September 11, 2001). Our wire chopping business continues to experience weak margins due to competition for buying copper in the U.S. from China. Chinese companies are able to process copper at much lower costs than domestic wire choppers. As a consequence of that condition, in December 2001, we exited our wire-chopping business in California. We are currently operating one wire-chopping line in Birmingham, Alabama.

Prices of commodities we own may be volatile.

Although we seek to turn over our inventory of raw or processed scrap metals as rapidly as possible, we are exposed to commodity price risk during the period that we have title to products that are held in inventory for processing and/or resale. Prices of commodities, including scrap metals, can be volatile due to numerous factors beyond our control, including:

- general economic conditions;

- labor costs;

- competition;

- financial condition of our major customers;

- the availability of imports;

- the availability and relative pricing of scrap metal substitutes;

- import duties; and

- tariffs and currency exchange rates.

In an increasing price environment, competitive conditions may limit our ability to pass on price increases to our customers. In a decreasing price environment, we may not have the ability to fully recoup the cost of raw scrap we process and sell to our customers.

Our operations present significant risk of injury or death.

Because of the heavy industrial activities conducted at our facilities, there exists a risk of injury or death to our employees or other visitors of our operations, notwithstanding the safety precautions we take. During

fiscal 2001 through fiscal 2003, two accidental employee deaths occurred through transportation related accidents and a number of other serious accidental injuries have occurred at our facilities. Our operations are subject to regulation by federal, state and local agencies responsible for employee health and safety, including the Occupational Safety and Health Administration ("OSHA"). We, or our Predecessor Company, have been fined in regard to some of these incidents. While we have in place policies to minimize such risks, we may nevertheless be unable to avoid material liabilities for any employee death or injury that may occur in the future and these types of incidents may have a material adverse effect on our financial condition.

We may not be able to negotiate future labor contracts on favorable terms.

Approximately half of our active employees are represented by various labor unions, including the Teamsters Union and the United Steelworkers of America Union. As our agreements with those unions expire, we may not be able to negotiate extensions or replacements on terms favorable to us, or at all, or avoid strikes, lockouts or other labor actions from time to time. We cannot assure you that new labor agreements will be reached with our unions as those labor contracts expire. Any labor action resulting from the failure to reach an agreement with one of our unions may have a material adverse effect on our operations.

The loss of any member of our senior management team or a significant number of our managers could have a material adverse effect on our operations.

Our operations depend heavily on the skills and efforts of our senior management team, including Albert A. Cozzi, our Vice-Chairman and Chief Executive Officer, Michael W. Tryon, our President and Chief Operating Officer, and five other employees which constitute our Executive Management Committee. In addition, we rely substantially on the experience of the management of our subsidiaries with regard to day-to-day operations. While we have employment agreements with Messrs. Cozzi and Tryon and certain other members of our management team, we may nevertheless be unable to retain the services of any of those individuals. The loss of any member of our senior management team or a significant number of managers could have a material adverse effect on our operations.

The profitability of our scrap recycling operations depends, in part, on the availability of an adequate source of supply.

We acquire our scrap inventory from numerous sources. These suppliers generally are not bound by long-term contracts and have no obligation to sell scrap metals to us. In periods of low industry prices, suppliers may elect to hold scrap waiting for higher prices. If a substantial number of scrap suppliers cease selling scrap metals to us, we would be unable to recycle metals at desired levels and our results of operations or financial condition would be materially and adversely affected. In addition, the slowdown of industrial production in the U.S. has reduced the supply of industrial grades of scrap.

The concentration of our customers and our exposure to credit risk could have a material adverse effect on our results of operations or financial condition.

Sales to our ten largest customers represented approximately 41% of consolidated net sales in fiscal 2003. Accounts receivable balances from these customers comprised approximately 49% of consolidated accounts receivable at March 31, 2003. Sales in fiscal 2003 to The David J. Joseph Company represented approximately 15% of consolidated net sales. The loss of any of our significant customers or our inability to collect accounts receivables would negatively impact our revenues and profitability.

The loss of export sales could adversely affect our results of operations or financial condition.

Export sales accounted for 14% of consolidated net sales in fiscal 2003. Risks associated with our export business includes, among other factors, political and economic instability, economic conditions in the world's economies

including potential effects associated with severe acute respiratory syndrome, changes in legal and regulatory requirements, the value of the U.S. dollar (variations to which will impact the amount and volume of export sales), and collection risks in some cases (such as Mexican steel mills where we extend open credit).

Any of these factors could result in lower export sales which may materially adversely affect our results of operations and financial condition.

The loss of any significant customers could adversely affect our results of operations or financial condition.

In connection with the sale of our products, we generally do not require collateral as security for customer receivables. Some of our subsidiaries have significant balances owing from customers that operate in cyclical industries and under leveraged conditions that may impair the collectibility of those receivables. Failure to collect a significant portion of amounts due on those receivables could have a material adverse effect on our results of operations or financial condition.

During the weakening cycle for the steel business evident in fiscal 2001, there were bankruptcies filed by many large steel producers. In particular, our results were adversely affected by the bankruptcies of LTV Steel Company, Inc. and Northwestern Steel and Wire Company. From April 2000 to March 2002, bankruptcy filings by our customers resulted in uncollected receivables of approximately $8 million. While we have made significant efforts to improve the monitoring of credit exposure to our customers, we may experience further losses, as conditions in the metals sector generally remain weak.

A significant increase in the use of scrap metals alternatives by current consumers of processed scrap metals could reduce demand for our products.

During periods of high demand for scrap metals, tightness can develop in the supply and demand balance for ferrous scrap. The relative scarcity of ferrous scrap, particularly the "cleaner" grades, and its high price during such periods have created opportunities for producers of alternatives to scrap metals, such as pig iron and direct reduced iron pellets. Although these alternatives have not been a major factor in the industry to date, we cannot assure you that the use of alternatives to scrap metals may not proliferate in the future if the prices for scrap metals rise or if the levels of available unprepared ferrous scrap decrease.

Our defined benefit pension plans are underfunded.

We currently maintain four defined benefit pension plans which cover various categories of employees and retirees. Our obligations to make contributions to fund benefit obligations under these plans are based on actuarial valuations which are based on certain assumptions, including the long-term return on plan assets and interest rates. Due to declining equity markets that have caused negative returns in our pension plan assets, and the low interest rate environment, our defined benefit pension plans are underfunded by $3.9 million at March 31, 2003. As a result, we will have to make additional contributions in the foreseeable future until our defined benefit pensions are funded in accordance with ERISA guidelines. This will negatively impact our cash flow and results of operations.

Our operations are subject to stringent regulations, particularly under applicable environmental laws.

We are subject to comprehensive local, state, federal and international statutory and regulatory requirements relating to, among others:

- the acceptance, storage, treatment, handling and disposal of solid and hazardous waste;

- the discharge of materials into air;

- the management and treatment of wastewater and storm water;

- the remediation of soil and groundwater contamination;

- the restoration of natural resource damages; and

- the protection of our employees' health and safety.

We believe that our subsidiaries and we are currently in material compliance with applicable statutes and regulations governing the protection of human health and the environment, including employee health and

safety. We can give you no assurance, however, that our subsidiaries and we will continue to be in compliance, avoid material fines, penalties and expenses associated with compliance issues in the future.

The nature of our business and previous operations by others at facilities owned or operated by us expose us to risks of claims under environmental laws and regulations, especially for the remediation of soil or groundwater contamination. We can give you no assurance, however, that we can avoid making material expenditures for remedial activities with regard to sites owned or operated by our subsidiaries or us.

Environmental statutes and regulations have changed rapidly in recent years, and it is possible that we will be subject to even more stringent environmental standards in the future. For these reasons, we cannot predict future capital expenditures for pollution control equipment with accuracy. However, we expect that environmental standards will become increasingly more stringent and that the expenditures necessary to comply with those heightened standards will correspondingly increase.

We are required to obtain, and must comply with, various permits and licenses to conduct our operations. Violations of any permit or license, if not remedied, could result in our incurring substantial fines, suspension of operations or closure of a site. Further, our operations are conducted primarily outdoors and as such, depending on the nature of the ground cover, involve the risk of releases of regulated materials to the soil and, possibly, to groundwater. From time to time, as part of our continuous improvement programs, we incur costs to improve environmental control systems. By way of example, we may decide to install water pollution control equipment at our North Haven, Connecticut facility to address certain concerns raised by the Connecticut Department of the Environment in the lawsuit filed by that agency, which is discussed below in Item 3 -- Legal Proceedings.

Because the scrap metals recycling industry has the potential for discharging regulated materials into the environment, we believe that in any given year, a significant portion of our capital expenditures may be related, directly or indirectly, to pollution control or environmental remediation. Nevertheless, expenditures for environmentally-related capital improvements were not material in fiscal 2003 nor are they currently expected to be significant in fiscal 2004. However, for the reasons explained above, there can be no assurance that this will continue to be the case in the future.

We lack environmental impairment insurance. In general, we do not carry environmental impairment liability insurance because the cost of the premiums outweighs the benefit of coverage. If we or one or more of our subsidiaries were to incur significant liability for environmental damage, such as a claim for soil or groundwater remediation, not covered by environmental impairment insurance, our results of operations and financial condition could be materially and adversely affected.

There are risks associated with certain by-products of our operations. Our scrap metals recycling operations produce significant amounts of wastes. For example, certain of our subsidiaries operate shredders for which the primary feed materials are automobile hulks and obsolete household appliances. Approximately 20% of the weight of an automobile hulk consists of material, referred to as automobile shredder residue ("ASR") which remains after the segregation of ferrous and saleable non-ferrous metals. State and federal environmental regulations require that we test ASR before disposing of it off-site in permitted landfills. We endeavor to remove hazardous contaminants from the feed material prior to shredding to reduce the possibility that the ASR could be classified as a hazardous waste thereby causing us to incur significantly higher waste handling and disposal charges. We can give no assurance, however, that such hazardous contaminants will be successfully removed or that the higher charges will be avoided.

Pre-transaction reviews and environmental assessments of our operating sites conducted by independent environmental consulting firms have revealed that some soil, surface water and/or groundwater contamination, including various metals, arsenic, petrochemical byproducts, waste oils, polychlorinated biphenyls and volatile organic compounds, is present at certain of our operating sites. Based on our review of these reports, we believe that it is likely that contamination at varying levels may exist at some of our sites, and we anticipate that some of our sites could require investigation, monitoring and remediation in the future. Moreover, the costs of such remediation could be material. The existence of contamination at some of our facilities could adversely effect

our ability to sell our properties, and, will generally require us to incur significant costs to take advantage of selling opportunities.

We are currently undertaking investigation or remediation at two sites. At one of our MTLM-Midwest yard operations, during the removal of underground

storage tanks used to fuel our vehicles, we discovered soil contamination. We are removing the contaminated soil, and our current reserve includes an amount for this cleanup.

We typically make cash outlays as we incur the actual costs or capital expenditures relating to the remediation of environmental liabilities at sites that we own or operate. In this regard, we have established an overall reserve of $0.2 million at March 31, 2003 for environmental remediation liabilities that have been identified and quantified.

We may have potential Superfund liability. Certain of our subsidiaries receive from, time to time, notices from the United States Environmental Protection Agency ("USEPA") that these companies and numerous other parties are considered potentially responsible parties and may be obligated under Superfund, or similar state regulatory schemes, to pay a portion of the cost of remedial investigation, feasibility studies and, ultimately, remediation to correct alleged releases of hazardous substances at various third party sites. Superfund may impose joint and several liability for the costs of remedial investigations and actions on the entities that arranged for disposal of certain wastes, the waste transporters that selected the disposal sites, and the owners and operators of these sites. Responsible parties (or any one of them) may be required to bear all of such costs regardless of fault, legality of the original disposal, or ownership of the disposal site.

Although recent amendments to the Superfund law have limited the exposure of scrap metal recyclers under Superfund for sales of recyclable material, we can provide no assurance that we will not become liable in the future for significant costs associated with the investigation and remediation of Superfund sites. The only Superfund site in which we are currently involved as a potentially responsible party is the Jack's Creek Superfund site in Pennsylvania. As part of the Chapter 11 proceedings, we agreed to pay the Jack's Creek PRP Group approximately $153,000 (of which only approximately $77,000 remains to be paid) to resolve our involvement in this Superfund site.

Our Predecessor Company has a history of significant losses.

From fiscal 1996 to 2001, the Predecessor Company incurred annual pre-tax losses. At June 29, 2001, prior to the application of fresh-start reporting, the Predecessor Company had an accumulated deficit of $477.7 million. Although this accumulated deficit was eliminated effective June 30, 2001, we cannot assure you that we will not incur losses in the future.

Our common stock has a limited trading history on Nasdaq.

On March 7, 2003, our common stock began trading on the Nasdaq SmallCap Market. Prior to then, our common stock traded on the OTC Bulletin Board where there was a very limited trading market. Although a limited trading market has developed for our common stock, it may be subject to disruptions that will make it difficult or impossible for the holders of our common stock to sell shares at a time or a price they would like, and they may be unable to sell them at all. Additionally, in recent years, the stock market has experienced a high level of price and volume volatility and market prices for the stock of many companies have experienced declines that have not necessarily been related to the operating performance or prospects of such companies.

ITEM 2. PROPERTIES

Our facilities generally are comprised of:

- processing areas;

- warehouses for the storage of repair parts and certain types of raw and processed scrap;

- covered and open storage areas for raw and processed scrap;

- machine or repair shops for the maintenance and repair of vehicles and equipment;

- scales for weighing scrap;

- loading and unloading facilities; and

- administrative offices.

Most of our facilities have specialized equipment for processing various types and grades of raw scrap which may include a heavy duty automotive shredder to process both ferrous and non-ferrous scrap, crane-mounted alligator or stationary guillotine shears to process large pieces of heavy scrap, wire stripping and chopping equipment, baling equipment and torch cutting facilities.

The following table sets forth information regarding our principal properties:

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LOCATION	OPERATIONS	APPROXIMATE SQUARE FEET	LEASED/ OWNED
<S>	<C>	<C>	<C>
Metal Management, Inc.			
500 N. Dearborn St., Chicago, IL.....	Corporate Office	21,000	Leased
Metal Management Aerospace, Inc.			
500 Flatbush Ave., Hartford, CT.....	Office/Processing	1,481,040	Leased
Metal Management Alabama, Inc.			
2020 Vanderbilt Rd., Birmingham, AL.....	Office/Shear/Granulator	1,150,073	Owned
Metal Management Arizona, L.L.C.			
3640 S. 35th Ave., Phoenix, AZ.....	Office/Shear/Shredder/Baler	1,121,670	Leased
1525 W. Miracle Mile, Tucson, AZ.....	Shredder/Shear	513,569	Owned
Metal Management Connecticut, Inc.			
234 Universal Dr., North Haven, CT.....	Office/Shredder/Baler/Shear	1,089,000	Owned
Metal Management Indiana, Inc.			
3601 Canal St., East Chicago, IN.....	Maintenance/Balers{2}/Shear	588,784	Owned
Metal Management Memphis, L.L.C.			
540 Weakley St., Memphis, TN.....	Office/Maintenance	178,596	Owned
526 Weakley St., Memphis, TN.....	Warehouse/Baler/Shear/Shredder	768,616	Owned
1270 N. Seventh St., Memphis, TN.....	Warehouse/Baler	351,399	Owned
Metal Management Midwest, Inc.			
2305 S. Paulina St., Chicago, IL.....	Maintenance/Shredder	392,040	Owned
2500 S. Paulina St., Chicago, IL.....	Office/Warehouse/Shear	168,255	Owned
2425 S. Wood St., Chicago, IL.....	Office/Warehouse/Baler	103,226	Owned
2451 S. Wood St., Chicago, IL.....	Office/Maintenance	178,596	Owned
350 N. Artesian Ave., Chicago, IL.....	Office/Maintenance/Shredder	348,480	Owned
1509 W. Cortland St., Chicago, IL.....	Office/Baler	162,540	Owned
1831 N. Elston Ave., Chicago, IL.....	Warehouse	35,695	Owned
26th and Paulina Streets, Chicago, IL.....	Office/Maintenance/Baler/Crusher	323,848	Owned
9331 S. Ewing Ave., Chicago, IL.....	Office/Maintenance/Shredder	293,087	Owned
3200 E. 96th St., Chicago, IL.....	Office/Maintenance/Eddy Current Separation System	364,969	Owned
3151 S. California Ave., Chicago, IL.....	Office/Maintenance/Shredder	513,500	Leased
1000 N. Washington, Kankakee, IL.....	Office/Maintenance/Warehouse	217,800	Owned
564 N. Entrance Ave., Kankakee, IL.....	Office/Warehouse	206,910	Owned
1201 W. 138(th) St., Riverdale, IL.....	Office/Warehouse/Dismantling	9,000	Leased
320 Railroad St., Joliet, IL.....	Feeder Yard/Stevedoring	43,760	Leased
12701 S. Doty Ave., Chicago, IL.....	Shear/Iron Breaking	784,080	Leased
Metal Management Mississippi, L.L.C.			
120-121 Apache Dr., Jackson, MS.....	Office/Processing	74,052	Owned
Metal Management Northeast, Inc.			
Foot of Hawkins St., Newark, NJ.....	Office/Baler/Shear	382,846	Owned
252-254 Doremus Ave., Newark, NJ.....	Shredder/Processing	384,000	Owned
Port of Newark, Newark, NJ.....	Barge & Ship Terminal/Stevedoring	839,414	Leased
303 Doremus Ave., Newark, NJ.....	Bus Dismantling	270,100	Leased

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LOCATION	OPERATIONS	APPROXIMATE SQUARE FEET	LEASED/ OWNED
<S>	<C>	<C>	<C>
Metal Management Ohio, Inc.			
Rte. 281 East, Defiance, OH.....	Office/Maintenance/Briquetting	3,267,000	Owned
2535 Hill Ave., Toledo, OH.....	Office/Feeder Yard	122,000	Owned
4431 W. 130th St., Cleveland, OH.....	Office/Iron Breaking	2,178,000	Leased
Metal Management Pittsburgh, Inc.			
2045 Lincoln Blvd, Elizabeth, PA.....	Office/Processing/Warehouse	423,054	Owned
77 E. Railroad St., Monongahela, PA.....	Office/Warehouse/Baler/Shear	174,240	Owned
Metal Management Stainless & Alloy, Inc.			
6660 S. Nashville Ave., Bedford Park, IL.....	Office/Warehouse/Baler	304,223	Owned
Metal Management West, Inc.			
5601 York St., Denver, CO.....	Office/Shredder	392,040	Owned
3260 W. 500 South St., Salt Lake City, UT.....	Office/Shredder	435,600	Owned
2690 East Las Vegas St., Colorado Springs, CO.....	Feeder Yard	522,720	Owned
Metal Management Houston/Proler Southwest Inc.			
90 Hirsch Rd., Houston, TX.....	Office/Warehouse/Processing	378,972	Owned
15-21 Japhet, Houston, TX.....	Terminal/Shear	1,960,200	Leased
1102 Navigation Blvd, Freeport, TX.....	Feeder Yard	352,400	Leased

</Table>

We believe that our facilities are suitable for their present and intended

purposes and that we have adequate capacity for our current levels of operation.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in various litigation matters involving ordinary and routine claims incidental to our business. A significant portion of these matters result from environmental compliance issues and workers compensation related claims applicable to our operations. Management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on our results of operations or financial condition. We are involved in the litigation as described below.

Connecticut DEP v. Metal Management Connecticut, Inc. ("MTLM-Connecticut")

On July 1, 1998, our subsidiary MTLM-Connecticut acquired the scrap metal recycling assets of Joseph A. Schiavone Corp. (formerly known as Michael Schiavone & Sons, Inc.). The acquired assets include real property in North Haven, Connecticut upon which our scrap metal recycling operations are currently performed (the "North Haven Facility"). The owner of Joseph A. Schiavone Corp. was Michael Schiavone ("Schiavone").

On March 31, 2003, the Connecticut DEP filed suit against Joseph A. Schiavone Corp., Schiavone, and MTLM-Connecticut in the Superior Court of the State of Connecticut -- Judicial District of Hartford. The suit alleges, among other things, that the North Haven Facility discharged and continues to discharge contaminants, including oily material, into the environment and has failed to comply with the terms of certain permits and other filing requirements. The suit seeks injunctions to restrict us from maintaining discharges and to require us to remediate the facility. The suit also seeks civil penalties from all of the defendants in accordance with Connecticut environmental statutes. At this stage, we are not able to predict our potential liability in connection with this action or any required investigation and/or remediation. We believe that we have meritorious defenses to certain of the claims asserted against us in the suit and intend to vigorously defend ourselves against the claims. In addition, we believe that we are entitled to indemnification from Joseph A. Schiavone Corp. and Schiavone for some or all of the obligations and liabilities that may be imposed on us in connection with this matter under the various agreements governing our purchase of the North Haven Facility from Joseph A. Schiavone Corp. We cannot provide assurances that Joseph A. Schiavone Corp. and Schiavone will have sufficient resources to fund any or all indemnifiable claims that we may assert.

USEPA v. Metal Management Midwest, Inc. ("MTLM-Midwest")

Our subsidiary, MTLM-Midwest, operates seven facilities in the Chicago area (the "MMMI Facilities") which were the subject of a series of inspections and document requests in the mid-1990s by, among other agencies, the United States Environmental Protection Agency ("USEPA") pursuant to the so-called Greater Chicagoland Initiative to perform multimedia and multi-agency inspections of scrap yards in the Chicago Area (the "USEPA Initiative"). As a result of the USEPA Initiative, USEPA alleged that certain of the MMMI Facilities had violated certain provisions of the Resource Conservation and Recovery Act, the Clean Air Act, the Clean Water Act, the Oil Pollution Standards and the Toxic Substances Control Act (collectively, the "Alleged Violations"). In the summer of 2001, USEPA filed proofs of claims in our Chapter 11 proceedings and a cause of action in the U.S. District Court for the Northern District of Illinois (the "Northern District Action") seeking a penalty of between $25,000 and $27,500 per day for each alleged violation. We moved to dismiss the Northern District Action on, among other grounds, that it was duplicative of the claims filed in the Chapter 11 proceedings. We also challenged the claims filed in the Chapter 11 proceedings with respect to the Alleged Violations on both substantive and procedural grounds.

In January 2003, we entered into a Consent Decree with USEPA, pursuant to which, without admitting liability with respect to the Alleged Violations, we agreed (i) to distribute to USEPA an allowed class 6 unsecured claim in our Chapter 11 proceedings which will be satisfied through the issuance of shares of our common stock out of a litigation reserve established for that purpose in accordance with our plan of reorganization, and (ii) to perform environmental compliance audits at several of our MMMI facilities. The shares issuable to the USEPA in the Consent Decree are included as a component of the 9,900,000 shares of common stock allocated in the Plan to Class 6 Creditors. The Consent Decree with respect to this matter remains subject to a thirty (30 days) public notice (through June 8, 2003) and comment before it becomes final.

Chapter 11 Bankruptcy Filing

On November 20, 2000, we filed voluntary petitions (Case Nos. 00-4303-00-4331 (SLR)) under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). We emerged from bankruptcy on June 29, 2001. On September 17, 2002, a

Final Decree Motion was approved by the Bankruptcy Court, which officially closed our Chapter 11 proceedings.

Department of Justice Subpoena

In January 2003, we received a subpoena requesting that we provide documents to a grand jury that is investigating scrap metal purchasing practices in the four state region of Ohio, Illinois, Indiana and Michigan. We have advised the government that we intend to cooperate fully with the subpoena and the grand jury's investigation. To date, we have incurred approximately $0.2 million of legal fees associated with responding to the subpoena. We are not able at this preliminary stage to determine future legal costs or other costs to be incurred by us in responding to such subpoena or other impact to us of such investigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to our shareholders during the fourth quarter of fiscal 2003.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On March 7, 2003, our common stock commenced trading on the Nasdaq SmallCap Market under the symbol "MTLM." From November 19, 2001 to March 6, 2003, our common stock traded on the OTC Bulletin Board under the symbol "MLMG." Although we emerged from bankruptcy on June 29, 2001, distributions of common stock pursuant to the Plan were not made until October 2001 and trading of our common stock did not occur until November 19, 2001. The common stock of the Predecessor Company was listed on the Nasdaq SmallCap Market until December 28, 2000. From December 28, 2000 to July 3, 2001, the common stock of the Predecessor Company traded on the OTC Bulletin Board under the symbol "MTLMQ."

The following table sets forth the high and low bid information for our common stock for the periods indicated. They reflect inter-dealer prices, without retail mark-up, mark-down or commission.

<Table>
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	HIGH	LOW
<S>	<C>	<C>
FISCAL YEAR ENDED MARCH 31, 2003		
Fourth Quarter	$8.03	$3.95
Third Quarter	4.05	3.35
Second Quarter	4.15	3.05
First Quarter	4.05	1.50
NINE MONTHS ENDED MARCH 31, 2002		
Fourth Quarter	$2.50	$1.00
Third Quarter	2.75	1.25
Second Quarter	n/a	n/a
THREE MONTHS ENDED JUNE 30, 2001		
First Quarter (Predecessor Company)	$0.07	$0.02

</Table>

As of May 14, 2003, we had 1,394 registered shareholders based on our transfer agent's records. On May 14, 2003, the closing price per share of our common stock as reported on the Nasdaq SmallCap Market was $9.57 per share.

Neither the Predecessor Company nor we have paid any cash dividends since August 31, 1995. We presently have no intention of paying dividends in the foreseeable future and intend to utilize our cash for business operations. In addition, we are restricted from paying cash dividends under our debt agreements, including the Credit Agreement and the Junior Secured Notes. Under the Credit Agreement, we are precluded from paying dividends without lender approval.

We did not make any unregistered sales of our common stock during fiscal 2003.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data for each of the three years in the period ended March 31, 2001, the three months ended June 30, 2001, the nine months ended March 31, 2002 and the year ended March 31, 2003 are derived from

our or our Predecessor Company's audited consolidated financial statements. The information presented below should be read in conjunction with the consolidated financial statements and the related notes included in this report and the section called "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected financial data presented below is not necessarily indicative of the future results of our operations or financial performance.

We adopted fresh-start reporting in connection with our emergence from bankruptcy. Under fresh-start reporting, a new reporting entity is deemed to be created and the recorded amounts of assets and liabilities are adjusted to reflect their estimated fair values. For accounting purposes, the fresh-start adjustments have been recorded in our consolidated financial statements as of June 30, 2001. Since fresh-start reporting materially affects the comparability of the amounts previously recorded in our Predecessor Company's consolidated financial statements, a black line separates the post-emergence financial data from the pre-emergence financial data.

<Table>
<Caption>

	PREDECESSOR COMPANY				REORGANIZED COMPANY	
	YEARS ENDED MARCH 31,			THREE MONTHS ENDED	NINE MONTHS ENDED	YEAR ENDED
	1999	2000	2001	JUNE 30, 2001	MARCH 31, 2002	MARCH 31, 20
	(IN THOUSANDS, EXCEPT PER SHARE DATA)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:						
Net sales	$805,274	$915,140	$ 766,591	$166,268	$464,795	$770,009
Gross profit	65,213	109,985	61,874	17,052	55,615	105,141
General and administrative expenses	56,348	55,021	56,312	11,686	34,237	50,544
Depreciation and amortization	25,634	27,167	23,341	4,718	13,673	17,533
Goodwill impairment charge(a)	--	--	280,132	--	--	--
Non-cash and non-recurring expense (income)(b)	16,196	5,014	6,399	1,941	3,944	(695)
Operating income (loss) from continuing operations	(32,965)	22,783	(304,310)	(1,293)	3,761	37,759
Interest expense	31,332	38,043	34,159	5,169	9,450	11,129
Reorganization costs	--	--	15,632	10,347	457	--
Income (loss) from continuing operations before cumulative effect of change in accounting principle and extraordinary items(c)	(47,034)	(12,294)	(365,322)	(16,754)	(6,083)	20,142
Gain on sale of discontinued operations, net of tax	117	376	--	--	--	--
Cumulative effect of change in accounting principle	--	--	--	(358)	--	--
Extraordinary gain (charge), net of tax(d)	(938)	--	--	145,711	--	359
Preferred stock dividends(e)	1,815	2,021	295	--	--	--
Net income (loss)	$(49,670)	$(13,939)	$(365,617)	$128,599	$ (6,083)	$ 20,501
Income (loss) from continuing operations before cumulative effect of change in accounting principle and extraordinary items per share:						
Basic	$ (1.22)	$ (0.27)	$ (6.18)	$ (0.27)	$ (0.60)	$ 1.98
Diluted	$ (1.22)	$ (0.27)	$ (6.18)	$ (0.27)	$ (0.60)	$ 1.95
Cash dividends per common share	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Weighted average shares outstanding	40,139	54,333	59,131	61,731	10,120	10,162
Weighted average diluted shares outstanding	40,139	54,333	59,131	61,731	10,120	10,371

</Table>

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<Caption>

	PREDECESSOR COMPANY			REORGANIZED COMPANY		
	MARCH 31,			JUNE 30,	MARCH 31,	
	1999	2000	2001	2001	2002	2003
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:						
Working capital	$85,894	$140,433	$ 77,072	$ 54,694	$52,474	$47,534
Total assets	667,736	710,980	284,792	289,518	257,108	248,651
Liabilities subject to compromise	--	--	220,234	--	--	--

Total debt (including current maturities)(f)	335,462	384,710	152,977	148,435	133,960	89,610
Convertible preferred stock	19,997	6,277	5,915	--	--	--
Common stockholders' equity (deficit)	219,207	215,857	(149,172)	65,000	59,487	78,282

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(a) During the third quarter of fiscal 2001, the Predecessor Company changed its method of assessing goodwill impairment and recorded a $280.1 million charge to write-off all unamortized goodwill and intangibles.

(b) Non-cash and non-recurring expense (income) consist of the following items (in thousands):

<Table>
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	PREDECESSOR COMPANY				REORGANIZED COMPANY	
	YEARS ENDED MARCH 31,			THREE MONTHS ENDED	NINE MONTHS ENDED	YEAR ENDED
	1999	2000	2001	JUNE 30, 2001	MARCH 31, 2002	MARCH 31, 2003
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Non-cash warrant compensation income	$(6,776)	$ 0	$ 0	$ 0	$ 0	$ 0
Impairment of long-lived and other assets	17,983	(210)	5,828	1,941	3,944	(695)
Severance, facility closure charges and other	1,776	5,224	571	0	0	0
Merger related costs	3,213	0	0	0	0	0
	$16,196	$5,014	$6,399	$1,941	$3,944	$(695)

</Table>

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(c) Fiscal 2003 includes $3.3 million of gains recognized on the sale of two parcels of redundant real estate.

(d) The extraordinary charge incurred in fiscal 1999 relates to prepayment penalties, fees, and other costs incurred to refinance debt, net of related income tax benefit. The extraordinary gain recognized during the three months ended June 30, 2001 relates to the discharge of indebtedness in accordance with the Plan. The extraordinary gain recognized during fiscal 2003 relates to the purchase of $2.4 million par amount of Junior Secured Notes for $1.8 million in cash. Income taxes of $0.2 million were recorded against the extraordinary gain. In accordance with SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections," in fiscal 2004 these amounts will be reclassified to other income in our statement of operations.

(e) Fiscal 2000 includes $1.2 million in special dividends paid in connection with the redemption of $5.0 million principal amount of Series A and Series B convertible preferred stock.

(f) Total debt at March 31, 2001 excludes $182.9 million of debt classified within liabilities subject to compromise.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Form 10-K includes certain statements that may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Form 10-K which address activities, events or developments that we expect or anticipate will or may occur in the future, including such things as future acquisitions (including the amount and nature thereof), business strategy, expansion and growth of our business and operations, general economic and market conditions and other such matters are forward-looking statements. Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions within the bounds of our knowledge of our business, a number of factors could cause actual results to differ materially from those expressed in any forward-looking statements. See "Risk Factors" included in Part I, Item 1 of this report for a discussion of the factors that could have a significant impact on our financial condition or results of operations.

The purpose of the following discussion is to facilitate the understanding and assessment of significant changes and trends related to our results of operations and financial condition. This discussion should be read in conjunction with the consolidated financial statements and notes thereto included in Part IV, Item 16 of this report.

GENERAL

We are one of the largest full-service metals recyclers in the United States, with recycling facilities located in 13 states. We enjoy leadership positions in many major metropolitan markets, including Birmingham, Chicago, Cleveland, Denver, Hartford, Houston, Memphis, Newark, Phoenix, Salt Lake City, Toledo and Tucson. We have a 28.5% equity ownership position in Southern Recycling, L.L.C. ("Southern"), one of the largest scrap metals recyclers in the Gulf Coast region. Our operations primarily involve the collection and processing of ferrous and non-ferrous metals. We collect industrial scrap metal and obsolete scrap metal, process it into reusable forms and supply the recycled metals to our customers, including electric arc furnace mills, integrated steel mills, foundries, secondary smelters and metal brokers. In addition to buying, processing and selling ferrous and non-ferrous scrap metals, we are periodically retained as demolition contractors in certain of our large metropolitan markets in which we dismantle obsolete machinery, buildings and other structures containing metal and, in the process, collect both the ferrous and non-ferrous metals from these sources. At certain of our locations adjacent to commercial waterways, we provide stevedoring services. We also operate a bus dismantling business combined with a bus replacement parts business at our Northeast operations.

We believe that we provide one of the most comprehensive product offerings of both ferrous and non-ferrous scrap metals. Our ferrous products primarily include shredded, sheared, cold briquetted, bundled scrap metal, and other purchased scrap metal, such as turnings, cast and broken furnace iron. We also process non-ferrous metals, including aluminum, copper, stainless steel, brass, titanium and high-temperature alloys, using similar techniques and through application of our proprietary technologies.

We have achieved a leading position in the metals recycling industry primarily by implementing a national strategy of completing and integrating regional acquisitions. In making acquisitions, we have focused on major metropolitan markets where prime industrial and obsolete scrap metals (automobiles, appliances and industrial equipment) are readily available and from where we believe we can better serve our customer base. In pursuing this strategy, we acquired certain large regional companies to serve as platforms into which subsequent acquisitions would be integrated. We believe that through the integration of our acquired businesses, we have enhanced our competitive position and profitability of the operations because of broader distribution channels, improved managerial and financial resources, enhanced purchasing power and increased economies of scale.

CHAPTER 11 BANKRUPTCY AND PLAN OF REORGANIZATION

On November 20, 2000, we filed voluntary petitions (Case Nos. 00-4303-00-4331 (SLR)) under Chapter 11 of the U.S. Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). During the course of the bankruptcy proceedings,

which we refer to as the "Chapter 11 proceedings" herein, we operated our businesses as debtors-in-possession. The bankruptcy filing resulted from a sequence of events stemming primarily from significant operating losses and decreased liquidity experienced during fiscal 2001, which culminated in our Predecessor Company's inability to make a $9 million interest payment on its 10% Senior Subordinated Notes, due May 2008 (the "Subordinated Notes") on November 15, 2000. Our Predecessor Company's operating results and the resulting decrease in liquidity were primarily due to unprecedented cycles of declines in prices and demand for scrap metals exacerbated by high levels of fixed costs associated with our Predecessor Company's highly leveraged capital structure.

On May 4, 2001, in furtherance of an agreement we had reached with holders of a significant percentage of our Predecessor Company's pre-petition debt prior to the initiation of the Chapter 11 proceedings, we filed a amended joint plan of reorganization (the "Plan") pursuant to Chapter 11 of the Bankruptcy Code. The Plan was confirmed by the Bankruptcy Court and became effective on June 29, 2001 (the "Effective Date"). On September 17, 2002, a Final Decree Motion was approved by the Bankruptcy Court, which officially closed our Chapter 11 proceedings.

As used in this report, the term "Predecessor Company" refers to the Company and its operations for periods prior to the Effective Date, while the term "Reorganized Company" refers to the Company and its operations for periods after that date.

The following is a summary of certain material provisions of the Plan and should be read together with the entire Plan in order to understand all of the terms of the Plan. The Plan, which is Exhibit A to our Disclosure Statement, has been filed as an exhibit to this report and is incorporated by reference herein. The Plan provided for, among other things, the following:

- Junior Secured Note Claims -- the holders of the Predecessor Company's $30 million par amount, 12 3/4% junior secured notes due June 15, 2004 received new junior secured notes (the "Junior Secured Notes") aggregating $34.0 million.

- General Trade Claims ("Class 5 Claims") -- the holders of general trade claims of the Predecessor Company who elected not to receive common stock of the Reorganized Company will receive cash payments totaling 30% of their allowed claim. Such payments will be made, without interest, in four equal annual installments. The total amount to be paid to holders of Class 5 Claims is $1.3 million. The first installment was paid in July 2002.

- Impaired Unsecured Claims ("Class 6 Claims") -- the holders of the Predecessor Company's $180 million par amount, 10% senior subordinated notes due May 2008 (the "Subordinated Notes") and the holders of the Predecessor Company's general trade claims who elected (or were otherwise deemed under the Plan to have elected) to be treated as an allowed Class 6 Claim, received a total of 9,900,000 shares of common stock of the Reorganized Company. The total amount of Class 6 Claims aggregated approximately $211.9 million.

- Preferred Stockholder and Common Stockholder Claims ("Equity Claims") -- the holders of the Predecessor Company's convertible preferred stock received their pro-rata share of 7,300 shares of common stock of the Reorganized Company and warrants (designated as "Series A Warrants") to purchase 54,750 shares of common stock of the Reorganized Company. The holders of the Predecessor Company's common stock received their pro-rata share of 92,700 shares of common stock of the Reorganized Company and Series A Warrants to purchase 692,750 shares of common stock of the Reorganized Company. The Series A Warrants are immediately exercisable at an exercise price equal to $21.19 per share.

- Pursuant to the Management Equity Incentive Plan that was approved under the Plan, we issued, to certain employees, warrants to purchase 987,500 shares of common stock at an exercise price of $6.50 per share (designated as "Series B Warrants") and warrants to purchase 500,000 shares of common stock at an exercise price of $12.00 per share (designated as "Series C Warrants").

As of June 30, 2001, we adopted fresh-start reporting in accordance with AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code." Under fresh-

start reporting, the reorganization fair value was allocated to our assets; the Predecessor Company's accumulated deficit, Series B and Series C convertible preferred stock, common stock, warrants, options, and Subordinated Notes were eliminated; and equity in the Reorganized Company was recorded.

The reorganization value of $65 million for the equity of the Reorganized Company was based on the consideration of many factors and various valuation methods, including a discounted cash flow analysis using projected financial information, selected publicly traded company market multiples of certain companies operating businesses viewed to be similar to us, and other applicable ratios and valuation techniques that we, and our financial advisor during the Chapter 11 proceedings, believe to be representative of our business and industry.

The valuation was based upon a number of estimates and assumptions, which are inherently subject to significant uncertainties and contingencies beyond our control. Accordingly, there can be no assurance that the valuation will be realized, and actual results could vary materially. Moreover, the value of our common stock may differ materially from the share value implied in the reorganization value.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires the use of estimates and judgments that affect the reported amounts and related disclosures of commitments and contingencies. We rely on historical experience and on various other assumptions that we believe to be reasonable under the circumstances to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

We believe the following critical accounting policies, among others, affect the more significant judgments and estimates used in the preparation of our

consolidated financial statements.

Revenue recognition

Revenues for processed product sales are recognized when title passes to the customer. Revenue relating to brokered sales are recognized upon receipt of the materials by the customer. Revenues from services, including stevedoring and tolling, are recognized as they are performed. Sales adjustments related to price and weight differences and allowances for uncollectible receivables are accrued against revenues as incurred.

Accounts receivable and allowance for uncollectible accounts receivable

Accounts receivable consist primarily of amounts due from customers from product and brokered sales. The allowance for uncollectible accounts receivable totaled $1.0 million and $2.4 million at March 31, 2003 and 2002, respectively. Our determination of the allowance for uncollectible accounts receivable includes a number of factors, including the age of the accounts, past experience with the accounts, changes in collection patterns and general industry conditions.

As indicated in the section entitled "Risk Factors -- The loss of any significant customers could adversely affect our results of operations or financial condition," general weakness in the steel and metals sectors over the last few years has led to bankruptcy filings by many of our customers which have caused us to recognize additional allowances for uncollectible accounts receivable. While we believe our allowance for uncollectible accounts is adequate, changes in economic conditions or any weakness in the steel and metals industry could adversely impact our future earnings.

Inventory

Our inventories primarily consist of ferrous and non-ferrous scrap metals and are valued at the lower of average purchased cost or market. Quantities of inventories are determined based on our inventory systems and are subject to periodic physical verification using estimation techniques including observation, weighing and other industry methods. As indicated in the section entitled "Risk Factors -- Prices of commodities we

own may be volatile," we are exposed to risks associated with fluctuations in the market price for both ferrous and non-ferrous metals, which are at times volatile. We attempt to mitigate this risk by seeking to rapidly turn our inventories.

Valuation of long-lived assets and goodwill

We regularly review the carrying value of certain long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be realizable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such asset is necessary. The effect of any impairment would be to expense the difference between the fair value of such asset and its carrying value. During the nine months ended March 31, 2002, we recorded an impairment charge of $3.1 million related to a scrap metal operation that we have exited and an impairment charge of $0.8 million related to fixed assets which we abandoned or otherwise intend to sell or dispose of.

Effective June 30, 2001, we adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which requires that the goodwill we recorded in connection with fresh-start reporting be reviewed at least annually for impairment based on the fair value method. At March 31, 2003, we determined, based on current industry information and other market information, that no impairment existed.

Self-Insured Reserves

We are self-insured for medical claims for most of our employees. Our exposure to medical claims is protected by a stop-loss insurance policy. We record a reserve for reported but unpaid claims and the estimated cost of incurred but not reported ("IBNR") claims. Our estimate is based on a lag estimate calculated by our insurance plan administrator and our historical claims experience. The lag accrual that we establish is based on recent actual claims paid. Effective April 1, 2003, we are self-insuring for workers' compensation claims. We have a stop-loss insurance policy for individual claims that exceed $250,000. In fiscal 2004, we will record an estimate for known claims and for IBNR claims.

Pension Plans

Pension benefits are based on formulas that, among other things, reflect the employees' years of service and compensation levels during their employment

period. Pension benefit obligations and related expense are actuarially computed based on certain assumptions, including the long-term rate of return on plan assets, the discount rate used to determine the present value of future pension benefits and the rate of compensation increases. Actual results will often differ from actuarial assumptions because of economic and other factors.

In accordance with the provisions of SFAS No. 87, "Employers' Accounting for Pensions," the discount rate that we assume is required to reflect the rates of high-quality debt instruments that would provide the future cash flows necessary to pay benefits when they come due. We reduced our discount rate from 7.25% at March 31, 2002 to 6.75% at March 31, 2003 to reflect market interest rate reductions. The effect of a lower discount rate increased the present value of benefit obligations and will increase pension expense in fiscal 2004.

To determine the expected long-term rate of return on pension plan assets, we consider the current and expected asset allocations, as well as historical returns on plan assets. We assumed that long-term returns on pension assets were 9% during fiscal 2003. Based on the negative returns of the stock market and our pension plan assets, we have reduced our expected long-term rate of return assumption in fiscal 2004 to 8%.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply

to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

At the emergence date, we had available federal net operating loss ("NOL") carryforwards of approximately $112 million, which expire through 2022, and net deferred tax assets (including NOL carryforwards) of approximately $75 million. Under fresh-start reporting, realization of net deferred tax assets that existed as of the emergence date will first reduce goodwill until exhausted and thereafter are reported as additional paid-in-capital. In addition, the use of emergence date net deferred tax assets during fiscal 2003 results in the recognition of income tax expense without the corresponding payment of cash taxes. We have recorded a valuation allowance against the emergence date net deferred tax assets, including NOL carryforwards remaining at March 31, 2003, due to the uncertainty regarding their ultimate realization. Realization is dependent upon generating sufficient future taxable income and the release of the valuation allowance is dependent on our ability to forecast future results. When we are able to demonstrate a pattern of predictable level of profitability and thereby sufficiently reduce the uncertainty relating to the realization of the NOL's, the valuation allowance will be recorded first as a reduction of goodwill and then as an increase to paid-in-capital. See Note 11 to the consolidated financial statements included in Part IV, Item 16 of this report.

Contingencies

We accrue reserves for estimated liabilities, which include environmental remediation and potential legal claims. A loss contingency is accrued when our assessment indicates that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Our estimates are based upon currently available facts and presently enacted laws and regulations. These estimated liabilities are subject to revision in future periods based on actual costs or new information.

The above listing is not intended to be a comprehensive list of all of our accounting policies. Please refer to our audited consolidated financial statements and notes thereto which begin on page F-1 of this report and contain accounting policies and other disclosures required by generally accepted accounting principles.

RESULTS OF OPERATIONS

In order to provide a meaningful basis of comparing fiscal 2003 to fiscal 2002 and fiscal 2002 to fiscal 2001 for purposes of the following tables and discussion, the operating results of the Reorganized Company for the nine months ended March 31, 2002 have been combined with the operating results of the Predecessor Company for the three months ended June 30, 2001 (collectively referred to as "fiscal 2002"). The combining of reorganized and predecessor periods does not result in a presentation that is in accordance with generally accepted accounting principles, but we believe such results will provide meaningful comparisons for sales, gross profit and general and administrative

expenses.

In fiscal 2003, we acquired one scrap metals recycling business in October 2002. However, the impact of the acquisition was not material to our results of operations. In fiscal 2002, we did not acquire any scrap metals recycling businesses so there was no corresponding effect to our results of operations in that period. While we may acquire scrap metals recycling businesses in the future, we do not expect future acquisitions to be significant in their effect on our consolidated results of operations.

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Fiscal 2003 compared to Fiscal 2002

SALES

Consolidated net sales for fiscal 2003 and for fiscal 2002 in broad product categories were as follows ($ in millions):

<Table>
<Caption>

	FISCAL 2003			FISCAL 2002		
	WEIGHT	NET SALES	%	WEIGHT	NET SALES	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
COMMODITY (WEIGHT IN THOUSANDS)						
Ferrous metals (tons).....	4,137	$492.7	64.0	3,938	$374.4	59.3
Non-ferrous metals (lbs.).....	442,234	205.5	26.7	447,636	200.3	31.7
Brokerage-ferrous (tons).....	454	54.8	7.1	350	36.6	5.8
Brokerage-nonferrous (lbs.).....	10,688	4.2	0.5	17,083	6.2	1.0
Other.....		12.8	1.7	--	13.6	2.2
		$770.0	100.0		$631.1	100.0

</Table>

Consolidated net sales increased by $138.9 million (22.0%) to $770.0 million in fiscal 2003 compared to consolidated net sales of $631.1 million in fiscal 2002. The increase in consolidated net sales was primarily due to higher ferrous sales volumes combined with higher average selling prices for ferrous products.

Ferrous sales

Ferrous sales increased by $118.3 million (31.6%) to $492.7 million in fiscal 2003 compared to ferrous sales of $374.4 million in fiscal 2002. The increase in ferrous sales was attributable to increased demand and higher selling prices. In fiscal 2003, ferrous sales volumes increased by 199,000 tons (5.1%) and average selling price for ferrous products increased by $24 per ton (25.3%) to approximately $119 per ton as compared to fiscal 2002.

Demand and pricing for our ferrous scrap was strong both domestically and internationally in fiscal 2003. International demand and pricing was higher due to the weakening U.S. dollar (which makes U.S. scrap more attractive to overseas buyers) and strong demand from China. Demand was also strong from Mexico which is an important market for our facilities in Houston and Arizona. The strong international demand is evident in data released by the U.S. Commerce Department, which shows that U.S. exports of ferrous scrap for calendar 2002 were approximately 9.9 million tons, an increase of 20% from calendar 2002. For the first three months of calendar 2003, U.S. exports of ferrous scrap were 2.9 million tons, an increase of 19.7% from the comparable prior year period.

Domestic demand and pricing were higher due to increased production by U.S. steel mills attributable, in part, to benefits from Section 201 tariffs. According to data published by the American Iron and Steel Institute, U.S. steel mills operated at an average capacity utilization rate of 89.5% in calendar 2002 compared to 75.1% in calendar 2001. Prior to calendar 2002, the strong U.S. dollar allowed U.S. steel mills to import ferrous scrap from Eastern European countries at lower prices than for ferrous scrap generated domestically, thereby adversely affecting our sales. With the decreased availability of Eastern European scrap and the weakening U.S. dollar, U.S. steel mills purchased more of their ferrous scrap domestically, which has caused ferrous scrap prices to increase since January 2002.

The increase in selling prices for ferrous scrap is evident in data published by the American Metal Market ("AMM"). According to AMM, the average price for #1 Heavy Melting Steel Scrap -- Chicago (which is a common indicator for ferrous scrap) was approximately $96.71 per ton for fiscal 2003 compared to $73.12 per ton in fiscal 2002.

Non-ferrous sales

Non-ferrous sales increased by $5.2 million (2.6%) to $205.5 million in fiscal 2003 compared to non-ferrous sales of $200.3 million in fiscal 2002. The increase was due to higher average selling prices partially

offset by lower sales volumes. In fiscal 2003, non-ferrous sales volumes decreased by 5.4 million pounds and average selling price for non-ferrous products increased by approximately $.01 per pound as compared to fiscal 2002. Fiscal 2002 includes sales from our former MacLeod operations in California, which were discontinued in December 2001 and completely ceased operations during June 2002. Prior to its shutdown, MacLeod sold approximately 46 million pounds of non-ferrous metals in fiscal 2002.

Although sales increased in fiscal 2003, our metal margins on non-ferrous metals have remained consistent as compared to fiscal 2002. Our non-ferrous operations continue to be impacted in both the supply and demand for non-ferrous metals due to weakness in the aerospace and telecommunications industries. The conditions of non-ferrous markets, including our three major products -- aluminum, copper and stainless steel (nickel based metal) -- are generally weak. Prices for certain non-ferrous metals have begun to stabilize and increase, but demand still remains low. Although stainless steel demand showed some improvement in fiscal 2003, many U.S. stainless steel mills have not returned to historic production levels. Our copper sales are being impacted by lower availability of copper scrap, primarily due to increased competition from buyers of copper scrap in China. Aluminum and nickel markets continue to be impacted by the general weakness in the aerospace industry, which was adversely affected by the events of September 11, 2001. Many companies in the aerospace industry have not returned to historical production levels which has impacted our sales.

Our non-ferrous sales are also impacted by the mix of metals sold. Generally, prices for copper are higher than prices for aluminum and stainless steel. In addition, the amount of high-temperature alloys that we sell (generally from our Aerospace subsidiary) and the selling prices for these metals will impact our non-ferrous sales as prices for these metals are much higher than other non-ferrous metals.

Brokerage sales

Brokerage ferrous sales increased by $18.2 million (49.7%) to $54.8 million in fiscal 2003 compared to brokerage ferrous sales of $36.6 million in fiscal 2002. The increase was primarily a result of a $16 per ton increase in average brokerage ferrous selling prices and a 104,000 ton increase in brokered ferrous tons. In fiscal 2003, we expanded our brokerage business at certain operations as a result of strong export demand for ferrous scrap. Demand from domestic customers for obsolete scrap also increased during fiscal 2003. The average selling price for brokered metals is significantly affected by the product mix, such as prompt industrial grades versus obsolete grades, which can vary significantly between periods. Prompt industrial grades of scrap metal are generally associated with higher unit prices.

Brokerage non-ferrous sales decreased by $2.0 million (32.2%) to $4.2 million in fiscal 2003 compared to brokerage non-ferrous sales of $6.2 million in fiscal 2002. The decrease was due to volume declining by 6.4 million pounds offset by an increase in the average selling price of $0.03 per pound. Margins associated with brokered non-ferrous metals are narrow so variations in this product category are not as significant to us as variations in other product categories.

Other sales

Other sales is primarily derived from our stevedoring and bus dismantling operations. In fiscal 2002, our former MacLeod operations, which has been shut down, generated other sales of $2.7 million from the operation of its aluminum can redemption centers. Excluding the effect of the other sales from MacLeod in fiscal 2002, other sales increased by $1.9 million primarily as a result of higher stevedoring sales.

Gross profit

Gross profit was $105.1 million (13.7% of sales) in fiscal 2003 compared to gross profit of $72.7 million (11.5% of sales) in fiscal 2002. The improvement in gross profit was due to higher material margins realized on ferrous products sold in fiscal 2003. Our material margins for ferrous products benefited from rising prices throughout fiscal 2003 which more than offset the higher purchase costs associated with ferrous scrap. In addition, increased export sales in fiscal 2003 were also a contributing factor to the increase in gross profit. Export sales are generally at higher prices reflecting the higher cost of freight. Additionally, we realized

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benefits from higher realization of non-ferrous metals recovered as a by-product from the shredding process ("Zorba") and more attractive prices for Zorba in fiscal 2003.

Our ferrous plant utilization was more efficient in fiscal 2003 as were able to process more scrap without increasing costs commensurately. Our processing expenses on a per unit basis and as a percentage of sales decreased in fiscal 2003 as compared to fiscal 2002.

General and administrative expenses

General and administrative expenses were $50.5 million (6.6% of sales) in fiscal 2003 compared to general and administrative expenses of $45.9 million (7.3% of sales) in fiscal 2002. The increase in fiscal 2003 was mainly a result of $6.2 million of compensation expense recognized pursuant to an incentive compensation plan (the "Incentive Plan"). The Incentive Plan is measured as a return on net assets, and based on our strong performance in fiscal 2003, resulted in the recognition of $6.2 million of expense. The Incentive Plan was administered and approved by the Compensation Committee of our Board of Directors.

Medical claims expense declined by $1.8 million in fiscal 2003 as a result of improved claims experience among our employees and higher premium contributions by employees in fiscal 2003. Professional fees increased by $1.2 million in fiscal 2003 primarily due to higher legal and accounting fees. Legal fees increased due to our cooperation with a subpoena received from the Department of Justice (see Recent Developments) and due to a decision to outsource all aspects of legal administration. Accounting fees increased primarily due to advisory services required in connection with tax consequences of our restructuring.

Depreciation and amortization

Depreciation and amortization expense was $17.5 million (2.3% of sales) in fiscal 2003 compared to depreciation and amortization expense of $18.4 million (2.9% of sales) in fiscal 2002. Approximately $0.3 million of the decrease is due to the elimination of depreciation expense associated with the exit from our MacLeod operations. Depreciation expense has also decreased as we carefully allocated authorization for spending on capital equipment. In addition, we have chosen to replace some of our existing equipment by entering into operating leases, which contain favorable terms (see Liquidity and Capital Resources for further discussion).

Non-cash and non-recurring expense (income)

Non-cash and non-recurring expense was $5.9 million in fiscal 2002. We recorded an impairment charge of $3.1 million related to the exit from our former MacLeod operations and an impairment charge of $2.8 million related to fixed assets to be sold or otherwise abandoned. The impairment charge for MacLeod was based on an evaluation of the proceeds that we expected to generate from the liquidation of the assets of MacLeod compared to our investment in MacLeod. We completed our exit from MacLeod during fiscal 2003 and generated $0.7 million of proceeds more than we expected. As a result, we recognized non-cash and non-recurring income of $0.7 million in fiscal 2003.

Income (loss) from joint ventures

Income from joint ventures was $3.1 million in fiscal 2003 compared to loss from joint ventures of $0.3 million in fiscal 2002. During fiscal 2003, Southern realized substantial benefits from improved ferrous market conditions including a return to profitability. In addition, Southern strengthened its capitalization by accomplishing a long-term refinancing of its debt during fiscal 2003. As a result, in fiscal 2003, we collected $1.5 million on a note receivable from Southern that we had previously reserved and recognized $1.8 million of our share of income related to our investment in Southern. The note receivable from Southern had been fully reserved in fiscal 2001. The loss from joint ventures in fiscal 2002 represents our share of losses associated with another joint venture in the scrap metals recycling business in which we have a 50% ownership.

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Interest expense

Interest expense was $11.1 million (1.4% of sales) in fiscal 2003 compared to interest expense of $14.6 million (2.3% of sales) in fiscal 2002. The decrease was a result of lower borrowings and interest rates under our credit facilities. Our average borrowings under our Credit Agreement in fiscal 2003 were approximately $24 million less than our average borrowings under our credit facilities in fiscal 2002.

Our average interest rate on borrowings under our Credit Agreement in

fiscal 2003 was approximately 185 basis points lower than our average interest rate on borrowings under credit facilities in fiscal 2002. This was due to the reduction of the prime rate of interest in November 2002 by 50 basis points and higher base interest rates in fiscal 2002 under our debtor-in-possession credit agreement. Interest expense in fiscal 2002 included three months of interest under our debtor-in-possession credit agreement, which was at higher base interest rates than the Credit Agreement governing our post-emergence bank borrowings.

Interest and other income

The major components of this category are interest income and gains and losses from sale of property. In fiscal 2003, we recognized $2.4 million of gains from the sale of fixed assets. We sold two parcels of redundant real estate which resulted in gains of $3.3 million. This was offset by losses on sales and disposals of equipment of $0.9 million. In fiscal 2002, we recognized losses from the sale of fixed assets of $0.2 million.

Reorganization costs

In fiscal 2002, we incurred reorganization costs of $10.8 million, which mainly represented professional fees, liabilities for rejected contracts and settlements, fresh-start adjustments and other expenses associated with the Chapter 11 proceedings (see Note 3 to the consolidated financial statements included in Part IV, Item 16 of this report).

Income taxes

In fiscal 2003, we recognized income tax expense of $12.5 million resulting in an effective tax rate of 38%. The recognition of income tax expense results from the utilization of Predecessor Company net operating loss carryforwards and other deferred tax assets, which is not offset by a corresponding reversal of the related valuation allowance. Valuation allowance reversals of the Predecessor Company, under generally accepted accounting principles, are recorded first as a reduction in goodwill and then as an increase to paid-in-capital. The effective tax rate differs from the statutory rate primarily due to the impact of state income taxes and the reversal of valuation allowances recorded against the Reorganized Company's deferred tax assets.

Change in accounting policy

On April 1, 2001, we adopted SFAS No. 133, "Accounting for Derivatives and Hedges" (as amended). The cumulative effect of adopting SFAS No. 133 resulted in an after-tax decrease in net earnings of $0.4 million in fiscal 2002.

Extraordinary gain

In fiscal 2003, we recognized an extraordinary gain, net of tax, of $0.4 million, associated with the repurchase of Junior Secured Notes. In fiscal 2002, we recognized an extraordinary gain of $145.7 million related to the cancellation of the Subordinated Notes and other unsecured claims in the Chapter 11 proceedings (see Notes 4 and 10 to the consolidated financial statements included in Part IV, Item 16 of this report). In accordance with SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections," in fiscal 2004 these amounts will be reclassified to other income in our statement of operations.

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Net income (loss)

Net income was $20.5 million in fiscal 2003 compared to net income of $122.5 million in fiscal 2002. Net income in fiscal 2002 was primarily a result of a $145.7 million extraordinary gain associated with cancellation of indebtedness in the Chapter 11 proceedings. Net income in fiscal 2003 reflects significant improvement in our operations as a result of higher volumes of ferrous scrap metals sold, greater metal margins, lower interest expense and gains on sale of fixed assets.

Fiscal 2002 compared to Fiscal 2001

Our results from operations for fiscal 2002 were impacted much of the year by the weakening economy in the U.S. Consequently, there was a general decline in scrap generated, which reduced inbound scrap to our yards. This dynamic particularly affected the inbound flow of prompt industrial grades of scrap produced by manufacturers. Additionally, the domestic steel industry operated at historically low operating levels during fiscal 2002, producing less tonnage of new steel by comparison to historic averages. This generally reduced the demand for scrap and reduced our unit shipments. In the non-ferrous metals industry, we experienced particular weakness in both the supply and demand for non-ferrous metals due to weakness in the aerospace and telecommunications industries. The tragedies of September 11, 2001 also led to contraction in the supply and demand for aluminum and nickel based metals and high-temperature alloys which are

important product categories to our non-ferrous yards.

However, since January 2002, our ferrous operations improved as a result of improving economic conditions in the U.S., slowing of imports of steel into the U.S. and firming of export markets for scrap. Our non-ferrous operations, including stainless steel, wire chopping and the high-temperature alloy businesses, did not experience a recovery during fiscal 2002.

NET SALES

Consolidated net sales for fiscal 2002 and for fiscal 2001 in broad product categories were as follows ($ in millions):

<Table>
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	FISCAL 2002			FISCAL 2001		
	WEIGHT	NET SALES	%	WEIGHT	NET SALES	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
COMMODITY (WEIGHT IN THOUSANDS)						
Ferrous metals (tons).....	3,938	$374.4	59.3	4,071	$422.0	55.0
Non-ferrous metals (lbs.).....	447,636	200.3	31.7	528,150	276.4	36.1
Brokerage--ferrous (tons).....	350	36.6	5.8	310	32.2	4.2
Brokerage--nonferrous (lbs.).....	17,083	6.2	1.0	38,623	17.1	2.2
Other.....	--	13.6	2.2	--	18.9	2.5
		$631.1	100.0		$766.6	100.0

</Table>

Consolidated net sales decreased by $135.5 million (17.7%) to $631.1 million in fiscal 2002 compared to consolidated net sales of $766.6 million in fiscal 2001. The decrease in consolidated net sales was primarily due to lower volumes of products shipped coupled with lower average selling prices. Through December 2001, scrap metals prices were impacted by the weakening economy contributing to lower industrial output that negatively impacted both supply and demand for scrap metals. However, since January 2002, ferrous scrap metals prices and volumes have increased which contributed to a profitable quarter for the three months ended March 31, 2002.

Ferrous sales

Ferrous sales decreased by $47.6 million (11.3%) to $374.4 million in fiscal 2002 compared to ferrous sales of $422.0 million in fiscal 2001. The decrease was mainly a result of lower shipments and lower average sales prices realized during the nine months ended December 31, 2001. During the three months ended

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March 31, 2002, ferrous sales improved as a result of increased volume and prices. Since January 2002, we have seen improvement in domestic demand for ferrous scrap and export opportunities are also available.

Non-ferrous sales

Non-ferrous sales decreased by $76.1 million (27.5%) to $200.3 million in fiscal 2002 compared to non-ferrous sales of $276.4 million in fiscal 2001. The decrease was primarily due to lower unit shipments and lower average selling prices. Since November 2001, demand from the aerospace industry has declined substantially which resulted in lower average selling prices and unit sales for non-ferrous metals including titanium and high-temperature alloys.

Brokerage sales

Brokerage ferrous sales increased by $4.4 million (13.7%) to $36.6 million in fiscal 2002 compared to brokerage ferrous sales of $32.2 million in fiscal 2001. The increase was a result of more tons brokered (13%) during fiscal 2002. During fiscal 2001, brokerage transactions were limited by the effects of our bankruptcy. During the three months ended March 31, 2002, our brokerage ferrous sales were $10.9 million, an increase of $4 million and $7 million from the three months ended December 31, 2001 and the three months ended March 31, 2001, respectively. The average selling price for brokered metals is significantly affected by the product mix, such as prompt industrial grades versus obsolete grades, which can vary significantly between periods. Prompt industrial grades of scrap are generally associated with higher unit prices.

Brokerage non-ferrous sales decreased by $10.9 million (63.7%) to $6.2 million in fiscal 2002 compared to brokerage non-ferrous sales of $17.1 million in fiscal 2001. Brokerage non-ferrous volume declined by 21.5 million pounds and average realized sales prices declined by $0.08 per pound during fiscal 2002

compared to fiscal 2001. Margins associated with brokered non-ferrous metals are narrow so variations in this product category are not as significant to us as variations in other product categories.

Gross Profit

Gross profit was $72.7 million (11.5% of sales) in fiscal 2002 compared to gross profit of $61.9 million (8.1% of sales) in fiscal 2001. Gross profit as a percentage of sales in fiscal 2002 reflects significant improvement from fiscal 2001 as a result of better buying practices and reductions in operating expenses.

General and administrative expenses

General and administrative expenses were $45.9 million (7.3% of sales) in fiscal 2002 compared to general and administrative expenses of $56.3 million (7.3% of sales) in fiscal 2001. General and administrative expenses declined by $10.4 million (18.5%) during fiscal 2002 from fiscal 2001 mainly due to a reduction in salaries and benefits. Salary expense decreased by $3.8 million (12.4%) as we reduced administrative headcount by 8% and implemented a compensation policy that limited salary increases. In addition, bonus expense decreased by $2.8 million (68.7%) due to poor operating results. Medical claims-related costs decreased by $1.5 million (37.0%) as we increased cost sharing with employees through higher premium contributions. Other cost containment initiatives including a reduction in travel and entertainment expenses (14%) and lower professional fees (31%) also contributed to lower general and administrative expenses in fiscal 2002.

Depreciation and amortization

Depreciation and amortization expense was $18.4 million (2.9% of sales) in fiscal 2002 compared to depreciation and amortization expense of $23.3 million (3.0% of sales) in fiscal 2001. The decrease in depreciation and amortization expense was the result of the goodwill impairment charge recorded as of October 1, 2000 which resulted in the elimination of goodwill amortization expense for periods after October 1, 2000. Prior to the goodwill impairment charge, goodwill amortization was approximately $8 million annually. Depreciation expense has remained relatively constant as we operated with the same installed base of equipment in fiscal 2002 and fiscal 2001.

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Goodwill impairment charge

In fiscal 2001, the Predecessor Company changed its method of accounting for assessing whether an impairment exists in the recorded amount of acquired business unit goodwill and other intangible assets from an undiscounted cash flow method to a fair value method. As a result of applying the fair value method, the Predecessor Company recorded a goodwill impairment charge of $280.1 million in fiscal 2001 (see Note 2 to the consolidated financial statements included in Part IV, Item 16 of this report).

Non-cash and non-recurring expenses

Non-cash and non-recurring expense was $5.9 million in fiscal 2002. We recorded an impairment charge of $3.1 million related to one of our operations which we are in the process of exiting and an impairment charge of $2.8 million related to fixed assets which are to be sold or otherwise abandoned. Non-cash and non-recurring expense was $6.4 million in fiscal 2001, which primarily represents asset impairments (see Note 5 to the consolidated financial statements included in Part IV, Item 16 of this report).

Interest expense

Interest expense was $14.6 million (2.3% of sales) in fiscal 2002 compared to interest expense of $34.2 million (4.4% of sales) in fiscal 2001. The decrease in interest expense was a result of lower borrowings under credit facilities, lower interest rates on borrowings under credit facilities, and the elimination of interest expense related to unsecured debt after the Petition Date, including but not limited to interest on the Subordinated Notes. Interest on the Subordinated Notes was $1.5 million per month prior to the Petition Date. Borrowings on credit facilities are at variable rates tied to the prime rate of interest, which declined by 475 basis points from January 2001 to March 2002.

Reorganization costs

Reorganization costs mainly represent professional fees, liabilities for rejected contracts and settlements, fresh-start adjustments and other expenses associated with the Chapter 11 proceedings (see Note 3 to the consolidated financial statements included in Part IV, Item 16 of this report).

Income taxes

As a result of our past losses and uncertainties regarding our ability to

generate taxable income, we have determined that it is more likely than not that we will not realize recorded tax benefits. As a result, we have fully reserved our net deferred tax assets as of March 31, 2002. In fiscal 2001, we recorded an income tax expense of $8.3 million during the six months ended September 30, 2000 in order to provide a valuation allowance against net deferred tax assets.

Change in Accounting Policy

On April 1, 2001, we adopted SFAS No. 133, "Accounting for Derivatives and Hedges" (as amended). The cumulative effect of adopting SFAS No. 133 resulted in an after-tax decrease in net earnings of $0.4 million.

Extraordinary gain

We recognized an extraordinary gain of $145.7 million related to the cancellation of our Subordinated Notes and other unsecured claims in the Chapter 11 proceedings (see Note 4 to the consolidated financial statements included in Part IV, Item 16 of this Report).

Net income (loss)

Net income was $122.5 million in fiscal 2002 compared to a net loss of $365.6 million in fiscal 2001. The improvement was a result of an extraordinary gain associated with cancellation of indebtedness, lower interest and general and administrative expenses and the elimination of goodwill amortization.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

In fiscal 2003, our operating activities generated net cash of $46.3 million compared to $31.2 million in fiscal 2002. In fiscal 2003, cash was provided by net income adjusted for non-cash items of $46.2 million and changes in working capital of $0.1 million. Accounts payable increased by $14.3 million, as we increased purchases of scrap metal and gained more favorable credit terms. This offset increases in accounts receivable ($5.0 million) and inventories ($12.0 million). Due to the utilization of net operating loss carryforwards, cash payments for federal and state income taxes were only $0.6 million.

We generated $0.2 million in net cash for investing activities in fiscal 2003 compared to a use of $3.3 million in fiscal 2002. In fiscal 2003, purchases of property and equipment were $8.5 million, while we generated $10.6 million of cash from the sale of real estate and redundant fixed assets. We also used $3.3 million of cash to acquire certain assets of a scrap metals recycling company and received a $1.5 million note payment from Southern. In fiscal 2002, purchases of property and equipment were $4.7 million and proceeds from sale of redundant fixed assets were $1.7 million.

We used $46.5 million in net cash for financing activities in fiscal 2003 compared to $28.5 million in fiscal 2002. Cash generated from operating and investing activities were used primarily to repay borrowings under our Credit Agreement. We paid $2.8 million of fees and expenses associated with our Credit Agreement. In addition, we repurchased $2.4 million par amount of Junior Secured Notes for approximately $1.8 million in cash.

Indebtedness

At March 31, 2003, our total indebtedness was $89.6 million, a decrease of $44.4 million from March 31, 2002. Our primary source of financing is our $115 million revolving credit and letter of credit facility (the "Credit Agreement") with Deutsche Bank Trust Company Americas. On May 23, 2003, the Credit Agreement was amended to extend the maturity date to June 7, 2004.

Borrowings under the Credit Agreement are subject to certain borrowing base limitations based upon a formula equal to 85% of eligible accounts receivable, the lesser of $65 million or 70% of eligible inventory, and a fixed asset sublimit of $20.3 million as of May 29, 2003, which amortizes by $2.4 million on a quarterly basis and under certain other conditions. A security interest in substantially all of our assets and properties, including pledges of the capital stock of our subsidiaries, has been granted to the agent for the lenders under the Credit Agreement to secure our obligations under the Credit Agreement. The Credit Agreement provides us with the option of borrowing based either on the prime rate (as specified by Deutsche Bank AG, New York Branch) or the London Interbank Offered Rate ("LIBOR") plus a margin. Pursuant to the Credit Agreement, we pay a fee of .375% on the undrawn portion of the credit facility.

Under our Credit Agreement, we are required to satisfy specified financial covenants, including an interest coverage ratio of 2.10 to 1.00 and a leverage ratio of 4.25 to 1.00 (each for the twelve month period ending each fiscal quarter).

The Credit Agreement limits our capital expenditures to $16 million each

fiscal year. The Credit Agreement also contains restrictions which, among other things, limit our ability to (i) incur additional indebtedness; (ii) pay dividends; (iii) enter into transactions with affiliates; (iv) enter into certain asset sales; (v) engage in certain acquisitions, investments, mergers and consolidations; (vi) prepay certain other indebtedness; (vii) create liens and encumbrances on our assets and (viii) other matters customarily restricted in such agreements. We were in compliance with all financial covenants as of March 31, 2003. As of May 29, 2003, we had outstanding borrowings of approximately $70 million under the Credit Agreement and undrawn availability of approximately $41 million.

Our ability to meet financial ratios and tests in the future may be affected by events beyond our control, including fluctuations in operating cash flows and working capital. While we currently expect to be in compliance with the covenants and satisfy the financial ratios and tests in the future, there can be no assurance

that we will meet such financial ratios and tests or that we will be able to obtain future amendments or waivers to the Credit Agreement, if so needed, to avoid a default. In the event of default, the lenders could elect to not make loans to us and declare all amounts borrowed under the Credit Agreement to be due and payable.

We also have outstanding $31.5 million of Junior Secured Notes, which mature on June 15, 2004 and bear interest at the rate of 12 3/4% per annum. Interest on the Junior Secured Notes is payable semi-annually during June and December of each year. The Junior Secured Notes are our senior obligations and rank equally in right of payment to all of our unsubordinated debt, including our indebtedness under the Credit Agreement, and senior in right of payment to all of our subordinated debt. A second priority lien on substantially all of our real and personal property and equipment has been pledged as collateral against the Junior Secured Notes.

In fiscal 2003, we repurchased $2.4 million par amount of Junior Secured Notes for approximately $1.8 million. We used borrowings under our Credit Agreement to repurchase these Junior Secured Notes. Subject to lender approvals required under our Credit Agreement and prevailing market prices for our Junior Secured Notes, we may choose to repurchase additional amounts of Junior Secured Notes in the future.

The Junior Secured Notes are redeemable at our option (in multiples of $10 million) at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest. The Junior Secured Notes are redeemable at the option of the holders of such notes at a repurchase price of 101% of the principal amount thereof, plus accrued and unpaid interest, in the event we experience a change of control (as defined in the indenture governing the Junior Secured Notes). We are required to redeem all or a portion of the Junior Secured Notes at a repurchase price of 100% of the principal amount thereof, plus accrued and unpaid interest, in the event we make certain asset sales.

The indenture governing the Junior Secured Notes, as amended, contains restrictions including limits on, among other things, our ability to: (i) incur additional indebtedness; (ii) pay dividends or distributions on our capital stock or repurchase our capital stock; (iii) issue stock of subsidiaries; (iv) make certain investments; (v) create liens on our assets; (vi) enter into transactions with affiliates; (vii) merge or consolidate with another company; and (viii) transfer and sell assets or enter into sale and leaseback transactions.

Future Capital Requirements

Our Credit Agreement expires on June 7, 2004 and our Junior Secured Notes mature on June 15, 2004. In order for us to extend our Credit Agreement beyond its maturity date, we will be required by our lenders to, among other things, refinance our obligations under our Junior Secured Notes. Since the fall of 2002, we have been in negotiations with various investors to raise capital which would repay, in whole or in part, our obligations under the Junior Secured Notes. Although we have not consummated a transaction as of the date of this report, discussions are still ongoing with certain investors and we intend to explore other opportunities to finalize a transaction prior to the expiration of the Credit Agreement (see the section entitled "Risk Factors -- Our Credit Agreement and Junior Secured Notes become due in June 2004 and we may be unable to find replacement financing"). If we are not able to extend or renew our Credit Agreement and cannot obtain alternative financing, we will not be able to generate sufficient cash flows from operations to satisfy all of our obligations as they mature in fiscal 2005.

We expect to fund our working capital needs, interest payments and capital expenditures over the next twelve months with cash generated from operations, supplemented by undrawn borrowing availability under the Credit Agreement. Our future cash needs will be driven by working capital requirements (including

interest payments on the Junior Secured Notes), planned capital expenditures and acquisition objectives, should attractive acquisition opportunities present themselves.

Working capital requirements include $6.0 million of cash to be paid in May 2003 for the Incentive Plan and a $2.0 million coupon payment on the Junior Secured Notes. Capital expenditures are planned to be approximately $12 million to $16 million in fiscal 2004, which includes costs to complete the installation of a "Mega" Shredder, that we currently own, at our facility in Phoenix, Arizona. We expect the "Mega" Shredder to be operational by October 2003.

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In addition, due to favorable financing terms made available by equipment manufacturing vendors, we have entered into operating leases for new equipment. Since the beginning of the fiscal year, we have entered into 19 operating leases for equipment which would have cost approximately $5.3 million to purchase. These operating leases are attractive to us since the implied interest rates are lower than interest rates under our credit facilities. We expect to selectively use operating leases for new material handling equipment required by our operations.

In October 2002, we purchased certain assets of a scrap metals recycling company for $3.3 million in cash (including transaction costs). While we have no significant pending acquisitions, we may choose to consider selective opportunities for acquisitions in the future.

The Predecessor Company historically financed a part of its operations through the issuance of common stock or convertible preferred stock. Since we emerged from bankruptcy in 2001 and a limited market for our common stock has recently developed, we may elect to issue equity in the future to finance our operations or to reduce debt. The issuance of equity would dilute the ownership of existing shareholders.

We believe these sources of capital will be sufficient to fund planned capital expenditures, interest payments and working capital requirements for the next twelve months, although there can be no assurance that this will be the case. In addition, the instruments governing the Credit Agreement and the Junior Secured Notes will limit our ability to incur additional debt to fund significant acquisition or expansion opportunities.

OFF-BALANCE SHEET ARRANGEMENTS AND AGGREGATE CONTRACTUAL OBLIGATIONS

We do not have any off-balance sheet arrangements that are likely to have a current or future effect on our results of operations, financial condition, or cash flows. We have assumed various financial obligations and commitments in the normal course of our operations and financing activities. Financial obligations are considered to represent known future cash payments that we are required to make under existing contractual arrangements, such as debt and lease agreements. Refer to Note 13 to our financial statements included in Part IV, Item 16 of this report for a description of our obligations related to guarantees, operating leases and other commitments.

The following table sets forth our known contractual obligations as of March 31, 2003, and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

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	TOTAL	LESS THAN ONE YEAR	ONE TO THREE YEARS	THREE TO FIVE YEARS	THEREAFTER
<S>	<C>	<C>	<C>	<C>	<C>
Long-term debt.....	$ 89,576	$ 292	$ 89,046	$ 110	$ 128
Capital lease obligations.....	34	26	8	0	0
Operating leases.....	47,706	9,187	12,920	6,552	19,047
Class 5 Claims.....	950	317	633	0	0
Other contractual obligations.....	884	492	321	71	0
Total contractual cash obligations....	$139,150	$10,314	$102,928	$6,733	$19,175

</Table>

Other commitments

We are required to make contributions to our defined benefit pension plans. These contributions are required under the minimum funding requirements of the Employee Retirement Income Security Act (ERISA). However, due to uncertainties regarding significant assumptions involved in estimating future required contributions, such as pension plan benefit levels, interest rate levels and the amount of pension plan asset returns, we are not able to reasonably estimate the amount of future required contributions beyond fiscal 2004. Our minimum required pension contributions for fiscal 2004 will be approximately $1.2 million.

We also enter into letters of credit in the ordinary course of operating and financing activities. As of May 29, 2003, we had outstanding letters of credit of $4.0 million which expire in fiscal 2004.

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In November 2001, we amended our lease agreement for land on which we operate a scrap metals recycling facility in Houston, Texas. The lease agreement expires on October 31, 2006 and provides for, among other things, an option for the lessor to sell the land to us beginning on the 22nd month of the lease. We also have an option to purchase the land beginning on the 22nd month of the lease (August 2003). The purchase price for the land is based on the month in which the option is exercised as follows:

<Table>
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DATE OF EXERCISE	PURCHASE AMOUNT (IN THOUSANDS)
<S>	<C>
Months 22 - 24	$4,000
Months 25 - 48	$4,250
Months 49 - 60	$4,500

</Table>

In connection with a prior acquisition, we agreed to indemnify the selling shareholders in that acquisition (the "Selling Shareholders") for, among other things, breaches of representations, warranties and covenants and for guaranties provided by certain shareholders of commercial agreements. The Selling Shareholders' ability to assert indemnification claims expires in November 2003. No indemnification claims have been asserted against us. The amount that we could be required to pay under the indemnification obligations could range from $0 to a maximum amount of approximately $2 million, excluding interest and collection costs.

RECENT ACCOUNTING PRONOUNCEMENTS

In October 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144, which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," significantly changes the criteria that would have to be met to classify an asset as held-for-sale, although it retains many of the fundamental recognition and measurement provisions of SFAS No. 121. We adopted SFAS No. 144 as of April 1, 2002 and the adoption did not have a material impact on our consolidated financial position or results of operations.

In April 2002, FASB issued SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections." This statement addresses, among other items, the classification of gains and losses from extinguishment of debt. Under the provisions of SFAS No. 145, gains and losses from extinguishment of debt can only be classified as extraordinary items if they meet the criteria set forth in APB Opinion No. 30. This statement is effective for fiscal years beginning after May 15, 2002. Upon adoption of SFAS No. 145, the extraordinary gains on the debt extinguishments recognized during the year ended March 31, 2003 and the extraordinary gain on debt discharge recognized by the Predecessor Company during the three months ended June 30, 2001 will be reclassified to other income in our statement of operations.

In June 2002, FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred and nullifies EITF 94-3. SFAS No. 146 is to be applied to exit or disposal activities initiated after December 31, 2002. We adopted SFAS No. 146 as of January 1, 2003 and the adoption did not have a material impact on our consolidated financial position or results of operations.

In November 2002, FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," ("FIN 45") which requires certain guarantees to be recorded at fair value as opposed to the current practice of recording a liability only when a loss is probable and reasonably estimable. FIN 45 also requires a guarantor to make significant new guaranty disclosures, even when the likelihood of making any payments under the guarantee is remote. The disclosure requirements of FIN 45 are effective for interim and annual periods ending after December 15, 2002, and we adopted these requirements for our financial statements included in Part IV, Item 16 of this report. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure," which amends SFAS No. 123,

"Accounting for Stock-Based Compensation."

SFAS No. 148 provides alternative methods of transition to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting used for stock-based employee compensation and the effect on reported net income and earnings per share. We adopted the disclosure provisions of SFAS No. 148, however, we have not changed the way we account for stock-based employee compensation.

In January 2003, FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51 and applies immediately to any variable interest entities created after January 31, 2003 and to variable interest entities in which an interest is obtained after that date. FIN 46 will be applicable to us in the second quarter of fiscal 2004, for interests acquired in variable interest entities prior to February 1, 2003. We do not have any variable interest entities and therefore the adoption of this interpretation will not have any impact on our results of operations or financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial risk resulting from fluctuations in interest rates and commodity prices. We seek to minimize these risks through regular operating and financing activities and, where appropriate, through use of derivative financial instruments. Our use of derivative financial instruments is limited and related solely to hedges of certain non-ferrous inventory positions and purchase and sales commitments.

COMMODITY PRICE RISK

We are exposed to risks associated with fluctuations in the market price for both ferrous and non-ferrous metals which are at times volatile. See the discussion under the section entitled "Risk Factors -- The metals recycling industry is highly cyclical and export markets can be volatile." We attempt to mitigate this risk by seeking to turn our inventories quickly instead of holding inventories in speculation of higher commodity prices.

We employ various strategies to mitigate the risk of fluctuations in the price of non-ferrous metals. None of the instruments employed by us to hedge these risks are entered into for trading purposes or speculation, but instead are affected as hedges of underlying physical transactions and commitments. All hedges are recorded at fair value with adjustments to the fair values recorded in the results of operations.

INTEREST RATE RISK

We are exposed to interest rate risk on our long-term fixed interest rate indebtedness and on our floating rate borrowings. As of March 31, 2003, long-term fixed borrowings consisted mainly of $31.5 million principal of Junior Secured Notes which bear interest at a fixed rate of 12 3/4%. Changes in interest rates could cause the fair market value of indebtedness with a fixed interest rate to increase or decrease, and thus increase or decrease the amount required to refinance the indebtedness. As of March 31, 2003, variable rate borrowings mainly consisted of outstanding borrowings of $57.2 million under our Credit Agreement. Our borrowings on our Credit Agreement bear interest on either the prime rate of interest or LIBOR plus a margin. Any increase in either base rate would lead to higher interest expense. We do not have any interest rate swaps or caps in place which would mitigate our exposure to fluctuations in the interest rate on this indebtedness. Based on our average borrowings under our Credit Agreement in fiscal 2003, a hypothetical increase or decrease in interest rates by 1% would increase or decrease interest expense on our variable borrowings by approximately $0.9 million per year, with a corresponding change in cash flows.

FOREIGN CURRENCY RISK

Although international sales accounted for 14% of our consolidated net sales in fiscal 2003, all of our international sales are denominated in U.S. dollars. We also purchase a small percentage of our raw materials from international vendors and some of these purchases are denominated in local currencies. We do not enter into any foreign currency swaps to mitigate our exposure to fluctuations in the currency rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements are set forth in Part IV, Item 16 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required under this item is incorporated by reference from sections entitled "Proposal No. 1 -- Election of Directors," "Executive Officers," and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement, which will be filed with the Securities and Exchange Commission no later than July 29, 2003.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this item is incorporated by reference from the section entitled "Executive Compensation," "Option Grants in the Last Fiscal Year," "Option Exercises and fiscal Year-End Values" in our definitive proxy statement, which will be filed with the Securities and Exchange Commission no later than July 29, 2003.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required under this item is incorporated by reference from the sections entitled "Ownership of the Capital Stock of the Company," in our definitive proxy statement, which will be filed with the Securities and Exchange Commission no later than July 29, 2003.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required under this item is incorporated by reference from the section entitled "Certain Relationships and Related Transactions" in our definitive proxy statement, which will be filed with the Securities and Exchange Commission no later than July 29, 2003.

ITEM 14. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Under the supervision and with the participation of our management, including Albert A. Cozzi, our Vice-Chairman of the Board and Chief Executive Officer (CEO), and Robert C. Larry, our Executive Vice-President, Finance and Chief Financial Officer (CFO), we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of the filing date of this annual report, and, based on their evaluation, our CEO and CFO have concluded that, as of that date, these controls and procedures were adequate and effective to ensure that material information relating to our company and our consolidated subsidiaries would be made known to them by others within those entities.

(b) Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect our disclosure controls and procedures subsequent to the date of their evaluation, nor were there any significant deficiencies or material weaknesses in our internal controls. As a result, no corrective actions were required or undertaken.

Disclosure Controls and Internal Controls. Disclosure controls and procedures are our controls and other procedures that are designed with the objective of ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our CEO

and CFO, as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that:

- our transactions are properly authorized;

- our assets are safeguarded against unauthorized or improper use; and

- our transactions are properly recorded and reported, all to permit the preparation of our financial statements in conformity with generally accepted accounting principles in the U.S.

Limitations on the Effectiveness of Controls. Our management, including our CEO and CFO, does not expect that our disclosure controls or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 15. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Not applicable.

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PART IV.

ITEM 16. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this report:

(1) FINANCIAL STATEMENTS:

<Table>
<Caption>

STATEMENT	PAGE
<S>	<C>
Report of Independent Accountants	F-1
Consolidated Statements of Operations for the year ended March 31, 2003, the nine months ended March 31, 2002 (Reorganized Company), the three months ended June 30, 2001 and the year ended March 31, 2001 (Predecessor Company)	F-3
Consolidated Balance Sheets at March 31, 2003 and 2002 (Reorganized Company)	F-4
Consolidated Statements of Cash Flows for the year ended March 31, 2003, the nine months ended March 31, 2002 (Reorganized Company), the three months ended June 30, 2001 and the year ended March 31, 2001 (Predecessor Company)	F-5
Consolidated Statements of Stockholders' Equity for the year ended March 31, 2003, the nine months ended March 31, 2002 (Reorganized Company), the three months ended June 30, 2001 and the year ended March 31, 2001 (Predecessor Company)	F-6
Notes to Consolidated Financial Statements	F-7
(2) FINANCIAL STATEMENT SCHEDULES:	
Schedule II -- Valuation and Qualifying Accounts for the year ended March 31, 2003, the nine months ended March 31, 2002 (Reorganized Company), the three months ended June 30, 2001 and the year ended March 31, 2001 (Predecessor Company)	F-33

</Table>

Schedules not listed above have been omitted because they are not required or they are inapplicable.

(3) EXHIBITS:

A list of the exhibits included as part of this report is set forth in the Exhibit Index that immediately precedes such exhibits, which is incorporated herein by reference.

(b) REPORTS ON FORM 8-K:

On January 31, 2003, we filed a report on Form 8-K relating to a press release we issued on January 30, 2003 announcing that we had received a subpoena to produce documents before a federal grand jury.

On February 18, 2003, we filed a report on Form 8-K relating to (a) a press release we issued on February 14, 2003 announcing our earnings for the quarter and nine months ended December 31, 2002 and (b) to a press release issued on February 18, 2003 announcing an extension to our Credit Agreement.

(c) SEE ITEM 16(a)(3) AND SEPARATE EXHIBIT INDEX ATTACHED HERETO.

(d) NOT APPLICABLE.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Chicago, Illinois on June 2, 2003.

METAL MANAGEMENT, INC.

By: /s/ ALBERT A. COZZI

Albert A. Cozzi
Vice-Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on June 2, 2003.

<Table>
<Caption>

SIGNATURE	TITLE
<C>	<S>
/s/ ALBERT A. COZZI Albert A. Cozzi	Director, Vice-Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ DANIEL W. DIENST Daniel W. Dienst	Chairman of the Board and Director
/s/ JOHN T. DILACQUA John T. DiLacqua	Director
/s/ ROBERT C. LARRY Robert C. Larry	Executive Vice President, Finance and Chief Financial Officer (Principal Financial Officer)
/s/ KEVIN P. MCGUINNESS Kevin P. McGuinness	Director
/s/ AMIT N. PATEL Amit N. Patel	Vice President, Finance and Controller (Principal Accounting Officer)
/s/ HAROLD J. ROUSTER Harold J. Rouster	Director
/s/ MICHAEL W. TRYON Michael W. Tryon	President and Chief Operating Officer

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CERTIFICATIONS

I, Albert A. Cozzi, certify that:

1. I have reviewed this annual report on Form 10-K of Metal Management, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 2, 2003

/s/ ALBERT A. COZZI

Albert A. Cozzi
Vice-Chairman of the Board and
Chief Executive Officer

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I, Robert C. Larry, certify that:

1. I have reviewed this annual report on Form 10-K of Metal Management, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 2, 2003

/s/ ROBERT C. LARRY

Robert C. Larry
Executive Vice President, Finance and
Chief Financial Officer

<PAGE>

METAL MANAGEMENT, INC.

EXHIBIT INDEX

<Table>
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<C>	NUMBER AND DESCRIPTION OF EXHIBIT <S>
2.1	Disclosure Statement with respect to First Amended Joint Plan of Reorganization of Metal Management, Inc. and its Subsidiary Debtors, dated May 4, 2001 (incorporated by reference to Exhibit 2.1 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).
3.1	Second Amended and Restated Certificate of Incorporation of the Company, as filed with the Secretary of State of the State of Delaware on June 29, 2001 (incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).
3.2	Amended and Restated By-Laws of the Company adopted as of April 29, 2003.
4.1	$150 million Credit Agreement, dated as of June 29, 2001 (the "Credit Agreement") by and among the Company and its subsidiaries named therein and Bankers Trust Company, as Agent and the financial institutions parties thereto (incorporated by reference to Exhibit 10.1 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).
4.2	Amendment No. 1 to the Credit Agreement, dated as of August 6, 2002 by and among the Company and its subsidiaries named therein and Deutsche Bank Trust Company Americas, as Agent and the financial institutions parties thereto (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).
4.3	Amendment No. 2 to the Credit Agreement, dated as of February 13, 2003 by and among the Company and its subsidiaries named therein and Deutsche Bank Trust Company Americas, as Agent and the financial institutions parties thereto (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K dated February 18, 2003).
4.4	Amendment No. 3 to the Credit Agreement, dated as of May 23, 2003 by and among the Company and its subsidiaries named therein and Deutsche Bank Trust Company Americas, as Agent

and the financial institutions parties thereto (incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K dated May 23, 2003).

4.5 Intercreditor Agreement, dated as of June 29, 2001 between Bankers Trust Company, as Agent for the lenders under the Credit Agreement, and BNY Midwest Trust Company, as Trustee under the Indenture (incorporated by reference to Exhibit 10.2 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).

10.1 Employment Agreement, dated December 1, 1997 between Albert A. Cozzi and the Company (incorporated by reference to Exhibit 10.12 of the Company's Current Report on Form 8-K dated December 1, 1997).

10.2 Letter Agreement, dated June 7, 2001 and June 13, 2001 between the Company and Albert A. Cozzi reflecting certain modifications to the Employment Agreement of Albert A. Cozzi (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).

10.3 Employment Agreement, dated December 1, 1997 between Frank J. Cozzi and the Company (incorporated by reference to Exhibit 10.15 of the Company's Current Report on Form 8-K dated December 1, 1997).

10.4 Letter Agreement, dated June 7, 2001 and June 13, 2001 between the Company and Frank J. Cozzi reflecting certain modifications to the Employment Agreement of Frank J. Cozzi (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).

10.5 Employment Agreement, dated November 30, 1997 between Larry S. Snyder, the Company and Cozzi Iron & Metal, Inc. (incorporated by reference to Exhibit 10.21 of the Company's Annual Report on Form 10-K for the year ended March 31, 1999).

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NUMBER AND DESCRIPTION OF EXHIBIT

<C> <S>

10.6 Letter Agreement, dated June 7, 2001 and June 13, 2001 between the Company and Larry S. Snyder reflecting certain modifications to the Employment Agreement of Larry S. Snyder (incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).

10.7 Employment Agreement, dated April 1, 2000 between Michael W. Tryon and the Company (incorporated by reference to Exhibit 10.15 of the Company Annual Report on Form 10-K for the year ended March 31, 2000).

10.8 Letter Agreement, dated June 7, 2001 and June 13, 2001 between the Company and Michael W. Tryon reflecting certain modifications to the Employment Agreement of Michael W. Tryon (incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).

10.9 Letter Agreement, dated April 21, 2003 between the Company and Michael W. Tryon reflecting certain modifications to the Employment Agreement of Michael W. Tryon.

10.10 Employment Agreement, dated September 1, 2001 between William T. Proler and the Company (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2001).

10.11 Employment Agreement, dated July 1, 2001 between Robert C. Larry and the Company (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).

10.12 Employment Agreement, dated February 12, 2003 between Alan D. Ratner and the Company (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for quarter ended December 31, 2002).

10.13 Form of Outside Director Indemnification Agreement (incorporated by reference to Exhibit 10.8 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).

10.14 Series A Warrant Agreement, dated June 29, 2001 by and among Metal Management, Inc. and LaSalle Bank National Association, as Warrant Agent (incorporated by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).

10.15	Form of Series B Warrant Agreement (incorporated by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).
10.16	Form of Series C Warrant Agreement (incorporated by reference to Exhibit 4.4 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).
10.17	Amended and Restated Indenture, dated as of June 29, 2001, among the Company and BNY Midwest Trust Company (incorporated by reference to Exhibit 4.5 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).
10.18	Metal Management, Inc. Management Equity Incentive Plan (incorporated by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K for the year ended March 31, 2001).
10.19	Metal Management, Inc. 2002 Incentive Stock Plan (incorporated by reference to Exhibit 99.1 of the Company's Registration Statement on Form S-8, filed on October 24, 2002).
21.1	Subsidiaries of the Company.
23.1	Consent of Independent Accountants.
99.1	Certification of Albert A. Cozzi under Section 906 of the Sarbanes-Oxley Act.
99.2	Certification of Robert C. Larry under Section 906 of the Sarbanes-Oxley Act.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of Metal Management, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 16(a)(1) on page 41 present fairly, in all material respects, the financial position of Metal Management, Inc. and its subsidiaries (the "Reorganized Company") at March 31, 2003 and 2002, and the results of their operations and their cash flows for year ended March 31, 2003 and the nine months ended March 31, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Reorganized Company financial statement schedule as of March 31, 2003 and 2002, and for year ended March 31, 2003 and the nine months ended March 31, 2002 listed in the accompanying index under Item 16(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related Reorganized Company consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Reorganized Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, 3, and 4, the consolidated financial statements of the Reorganized Company have been prepared in conformity with fresh start accounting provisions of Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," and accordingly are not comparable with any prior periods presented.

As discussed in Note 10, the Reorganized Company's credit facility expires on June 7, 2004. Additionally, the Reorganized Company's Junior Secured Notes mature on June 15, 2004.

As discussed in Note 9, the Reorganized Company changed its method of accounting for goodwill and intangible assets effective June 30, 2001.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
June 2, 2003

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and

Stockholders of Metal Management, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 16(a)(1) on page 41 present fairly, in all material respects, the results of operations and cash flows of Metal Management, Inc. and its subsidiaries (the "Predecessor Company") for year ended March 31, 2001 and the three months ended June 30, 2001 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Predecessor Company financial statement schedule for year ended March 31, 2001 and the three months ended June 30, 2001 listed in the accompanying index under Item 16(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related Predecessor Company consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Predecessor Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 1, 3 and 4, the Predecessor Company filed for relief under Chapter 11 of the United States Bankruptcy Code in November 2000 and emerged from bankruptcy proceedings On June 29, 2001. Upon emergence from bankruptcy, the consolidated financial statements of the Predecessor Company are presented in accordance with Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code."

As discussed in Note 2, the Predecessor Company changed its method of accounting for derivatives effective April 1, 2001.

As discussed in Note 2, the Predecessor Company changed its method of accounting for assessing whether an impairment exists in the recorded amount of acquired business unit goodwill and other intangible assets in 2001.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
June 5, 2002

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METAL MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

<Table>
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	REORGANIZED COMPANY		PREDECESSOR COMPANY	
	YEAR ENDED MARCH 31, 2003	NINE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED JUNE 30, 2001	YEAR ENDED MARCH 31, 2001
<S>	<C>	<C>	<C>	<C>
NET SALES	$770,009	$464,795	$166,268	$ 766,591
Cost of sales	664,868	409,180	149,216	704,717
Gross profit	105,141	55,615	17,052	61,874
Operating expenses:				
General and administrative	50,544	34,237	11,686	56,312
Depreciation and amortization	17,533	13,673	4,718	23,341
Goodwill impairment (Note 2)	0	0	0	280,132
Non-cash and non-recurring expense (income) (Note 5)	(695)	3,944	1,941	6,399
Total operating expenses	67,382	51,854	18,345	366,184
Operating income (loss)	37,759	3,761	(1,293)	(304,310)
Income (loss) from joint ventures (Note 2)	3,113	(224)	(56)	(3,449)
Interest expense	11,129	9,450	5,169	34,159
Interest and other income	2,934	287	111	519
Income (loss) before reorganization costs, income taxes, cumulative effect of change in accounting principle and extraordinary gain	32,677	(5,626)	(6,407)	(341,399)
Reorganization costs (Note 3)	0	457	10,347	15,632

Income (loss) before income taxes, cumulative effect of change in accounting principle and extraordinary gain	32,677	(6,083)	(16,754)	(357,031)
Provision for income taxes (Note 11)	12,535	0	0	8,291
Income (loss) before cumulative effect of change in accounting principle and extraordinary gain	20,142	(6,083)	(16,754)	(365,322)
Cumulative effect of change in accounting principle (Note 2)	0	0	(358)	0
Extraordinary gain (Notes 4 and 10)	359	0	145,711	0
Net income (loss)	20,501	(6,083)	128,599	(365,322)
Preferred stock dividends	0	0	0	(295)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	$ 20,501	$ (6,083)	$128,599	$(365,617)
BASIC EARNINGS (LOSS) PER SHARE:				
Income (loss) before cumulative effect of change in accounting principle and extraordinary gain	$ 1.98	$ (0.60)	$ (0.27)	$ (6.18)
Cumulative effect of change in accounting principle	0.00	0.00	(0.01)	0.00
Extraordinary gain	0.04	0.00	2.36	0.00
Basic earnings (loss) per share	$ 2.02	$ (0.60)	$ 2.08	$ (6.18)
DILUTED EARNINGS (LOSS) PER SHARE:				
Income (loss) before cumulative effect of change in accounting principle and extraordinary gain	$ 1.95	$ (0.60)	$ (0.27)	$ (6.18)
Cumulative effect of change in accounting principle	0.00	0.00	(0.01)	0.00
Extraordinary gain	0.03	0.00	2.36	0.00
Diluted earnings (loss) per share	$ 1.98	$ (0.60)	$ 2.08	$ (6.18)
Weighted average common shares outstanding	10,162	10,120	61,731	59,131
Weighted average diluted common shares outstanding	10,371	10,120	61,731	59,131

</Table>

See accompanying notes to consolidated financial statements

<PAGE>

METAL MANAGEMENT, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

<Table>
<Caption>

	REORGANIZED COMPANY	
	MARCH 31,	
	2003	2002
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 869	$ 838
Accounts receivable, net	66,746	61,519
Inventories (Note 7)	49,319	37,281
Property and equipment held for sale (Note 8)	3,513	10,102
Prepaid expenses and other assets	3,654	4,179
Total current assets	124,101	113,919
Property and equipment, net (Note 8)	114,684	123,666
Goodwill and other intangibles, net (Notes 4 and 9)	5,809	15,461
Deferred financing costs, net	1,290	2,715
Other assets	2,767	1,347
TOTAL ASSETS	$248,651	$257,108
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 10)	$ 318	$ 2,321
Accounts payable	57,195	42,923
Accrued interest	1,483	1,760
Other accrued liabilities (Note 7)	17,571	14,441
Total current liabilities	76,567	61,445

Long-term debt, less current portion (Note 10)	89,292	131,639
Other liabilities	4,510	4,537
Total long-term liabilities	93,802	136,176
Commitments and contingencies (Note 13)		
Stockholders' equity (Note 14):		
Preferred stock, $.01 par value; $1,000 stated value; 2,000,000 shares authorized; none issued and outstanding at March 31, 2003 and 2002	0	0
New common equity -- issuable	98	6,270
Common stock, $.01 par value, 50,000,000 shares authorized; 10,152,626 and 9,197,127 shares issued and outstanding at March 31, 2003 and 2002	102	92
Warrants	423	414
Additional paid-in-capital	65,453	59,265
Accumulated other comprehensive loss	(2,212)	(471)
Retained earnings (accumulated deficit)	14,418	(6,083)
TOTAL STOCKHOLDERS' EQUITY	78,282	59,487
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$248,651	$257,108

</Table>

See accompanying notes to consolidated financial statements

<PAGE>

METAL MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<Table>
<Caption>

	REORGANIZED COMPANY		PREDECESSOR COMPANY	
	YEAR ENDED MARCH 31, 2003	NINE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED JUNE 30, 2001	YEAR ENDED MARCH 31, 2001
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$ 20,501	$ (6,083)	$ 128,599	$(365,322)
Adjustments to reconcile net income (loss) to cash flows from operating activities:				
Depreciation and amortization	17,533	13,673	4,718	23,341
(Gain) loss on sale of property and equipment	(2,368)	185	(117)	463
Non-cash and non-recurring expense (income)	(695)	3,944	1,941	5,792
Provision for uncollectible receivables	365	2,035	1,058	5,678
Amortization of debt issuance costs and bond discount	2,185	894	1,359	3,478
(Income) loss from joint ventures	(3,113)	224	56	3,534
Deferred income taxes	11,949	0	0	8,291
Goodwill impairment	0	0	0	280,132
Non-cash reorganization expenses	0	0	3,469	9,044
Cumulative effect of change in accounting principle	0	0	358	0
Extraordinary gain	(359)	0	(145,711)	0
Other	184	(266)	(176)	46
Changes in assets and liabilities, net of acquisitions:				
Accounts and other receivables	(4,970)	8,681	5,141	71,809
Inventories	(12,038)	4,240	(1,749)	30,502
Accounts payable	14,272	(7,927)	9,200	(18,329)
Accrued interest	(277)	1,670	(96)	4,881
Other	3,124	(2,090)	3,952	(164)
Net cash provided by operating activities	46,293	19,180	12,002	63,176
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment	(8,483)	(3,295)	(1,392)	(11,133)
Acquisitions, net of cash acquired	(3,300)	0	0	0
Proceeds from sale of property and equipment	10,625	520	1,141	1,815
Proceeds from the collection of notes receivable	1,504	0	0	0
Investments in joint ventures	(180)	(104)	(128)	(158)
Other	75	0	0	75
Net cash provided by (used in) investing activities	241	(2,879)	(379)	(9,401)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuances of long-term debt	734,468	460,961	111,627	638,557

Repayments of long-term debt	(776,388)	(477,004)	(615)	(809,540)
Fees paid to issue long-term debt	(2,760)	(469)	(1,339)	(4,359)
Repurchase of Junior Secured Notes	(1,823)	0	0	0
Borrowings (repayments) on debtor-in-possession agreement	0	0	(121,666)	121,666
Other	0	(9)	0	(67)
Net cash used in financing activities	(46,503)	(16,521)	(11,993)	(53,743)
Net increase (decrease) in cash and cash equivalents	31	(220)	(370)	32
Cash and cash equivalents at beginning of period	838	1,058	1,428	1,396
Cash and cash equivalents at end of period	$ 869	$ 838	$ 1,058	$ 1,428
SUPPLEMENTAL CASH FLOW INFORMATION:				
Interest paid	$ 9,169	$ 6,819	$ 3,905	$ 25,800
Taxes paid (refunded)	$ 587	$ 7	$ 39	$ (494)

</Table>

See accompanying notes to consolidated financial statements

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METAL MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands)

<Table>
<Caption>

	CONVERTIBLE PREFERRED STOCK		NEW COMMON EQUITY-	COMMON STOCK			ADDITIONAL PAID-IN-
	SERIES B	SERIES C	ISSUABLE	SHARES	AMOUNT	WARRANTS	CAPITAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PREDECESSOR COMPANY:							
BALANCE AT MARCH 31, 2000	$1,177	$ 5,100	$ 0	57,711	$ 577	$ 40,428	$ 270,729
Conversion of preferred stock	(390)	0	0	3,110	31	0	778
Preferred stock dividends	28	0	0	0	0	0	0
Other comprehensive loss	0	0	0	0	0	0	0
Other	0	0	0	78	(66)	0	115
Net loss	0	0	0	0	0	0	0
BALANCE AT MARCH 31, 2001	815	5,100	0	60,899	542	40,428	271,622
Other	0	0	0	1,740	17	0	(17)
Net loss before reorganization adjustments and fresh start adjustments	0	0	0	0	0	0	0
Reorganization adjustments	(815)	(5,100)	65,000	(62,639)	(559)	(40,428)	(271,605)
Fresh start adjustments	0	0	0	0	0	0	0
REORGANIZED COMPANY:							
BALANCE AT JUNE 30, 2001	0	0	65,000	0	0	0	0
Distribution of equity in accordance with the Plan	0	0	(58,730)	9,035	90	414	58,226
Conversion of payable into common stock	0	0	0	162	2	0	1,048
Other	0	0	0	0	0	0	(9)
Net loss	0	0	0	0	0	0	0
Other comprehensive loss	0	0	0	0	0	0	0
BALANCE AT MARCH 31, 2002	0	0	6,270	9,197	92	414	59,265
Distribution of equity in accordance with the Plan	0	0	(6,172)	956	10	6	6,156
Other	0	0	0	0	0	3	32
Net income	0	0	0	0	0	0	0
Other comprehensive loss	0	0	0	0	0	0	0
BALANCE AT MARCH 31, 2003	$ 0	$ 0	$ 98	10,153	$ 102	$ 423	$ 65,453

<Caption>

	RETAINED EARNINGS (DEFICIT)	TOTAL
<S>	<C>	<C>
PREDECESSOR COMPANY:		
BALANCE AT MARCH 31, 2000	$ (95,844)	$ 222,134
Conversion of preferred stock	0	419
Preferred stock dividends	(295)	(267)
Other comprehensive loss	0	(270)

Other	0	49
Net loss	(365,322)	(365,322)
BALANCE AT MARCH 31, 2001	(461,461)	(143,257)
Other	0	0
Net loss before reorganization adjustments and fresh start adjustments	(16,193)	(16,193)
Reorganization adjustments	477,654	224,147
Fresh start adjustments	0	303
REORGANIZED COMPANY:		
BALANCE AT JUNE 30, 2001	0	65,000
Distribution of equity in accordance with the Plan	0	0
Conversion of payable into common stock	0	1,050
Other	0	(9)
Net loss	(6,083)	(6,083)
Other comprehensive loss	0	(471)
BALANCE AT MARCH 31, 2002	(6,083)	59,487
Distribution of equity in accordance with the Plan	0	0
Other	0	35
Net income	20,501	20,501
Other comprehensive loss	0	(1,741)
BALANCE AT MARCH 31, 2003	$ 14,418	$ 78,282

</Table>

See accompanying notes to consolidated financial statements

<PAGE>

METAL MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- BASIS OF PRESENTATION

DESCRIPTION OF BUSINESS

Metal Management, Inc., a Delaware corporation, and its wholly-owned subsidiaries (the "Company") are principally engaged in the business of collecting and processing ferrous and non-ferrous metals. The Company collects industrial scrap and obsolete scrap, processes it into reusable forms, and supplies the recycled metals to its customers, including electric arc furnace mills, integrated steel mills, foundries, secondary smelters and metals brokers. These services are provided through the Company's recycling facilities located in 13 states. The Company's ferrous products primarily include shredded, sheared, cold briquetted, bundled scrap, turnings and broken furnace iron. The Company also processes non-ferrous metals, including aluminum, stainless steel, copper, brass, titanium and high-temperature alloys, using similar techniques and through application of certain of the Company's proprietary technologies.

BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). All significant intercompany accounts, transactions and profits have been eliminated in consolidation. Investments in less than majority-owned companies (principally corporate joint ventures), which engage in ferrous and non-ferrous scrap metal recycling, are accounted for using the equity method.

As discussed in Note 3 -- Reorganization Under Chapter 11, on November 20, 2000 (the "Petition Date"), the Company filed voluntary petitions (Case Nos. 00-4303 -- 00-4331 (SLR)) commencing cases under Chapter 11 of the U.S. Bankruptcy Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). On June 29, 2001, the Company emerged from Chapter 11 bankruptcy. On September 17, 2002, a Final Decree Motion was approved by the Bankruptcy Court, which officially closed the Chapter 11 proceedings.

As a result of the Company's emergence from Chapter 11 bankruptcy and the application of fresh-start reporting (see Note 4 -- Fresh-Start Reporting), consolidated financial statements for the Company for the periods subsequent to June 30, 2001, following the effective date of the Company's plan of reorganization in the bankruptcy proceedings, are referred to as the "Reorganized Company" and are not comparable to those for the periods prior to June 30, 2001, which are referred to as the "Predecessor Company." A black line has been drawn in the audited consolidated financial statements to distinguish, for accounting purposes, the periods associated with the Reorganized Company and the Predecessor Company. Aside from the effects of fresh-start reporting and new

accounting pronouncements adopted since the effective date of the plan of reorganization, the Reorganized Company follows the same accounting policies as the Predecessor Company.

RECLASSIFICATIONS

Certain prior year financial information has been reclassified to conform to the current year presentation. Such reclassifications had no material effect on the previously reported consolidated balance sheet, results of operations or cash flows of the Company.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USES OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

REVENUE RECOGNITION

Revenues for processed product sales are recognized when title passes to the customer. Revenue relating to brokered sales are recognized upon receipt of the materials by the customer. Revenues from services,

including stevedoring and tolling, are recognized as they are performed. Sales adjustments related to price and weight differences and allowances for uncollectible receivables are accrued against revenues as incurred.

SHIPPING AND HANDLING REVENUES AND COSTS

The Company classifies shipping and handling charges billed to customers as revenue. The Company classifies shipping and handling costs incurred as a component of cost of sales.

DERIVATIVES

Effective April 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivatives and Hedges" (as amended). SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at fair value.

The Company utilizes futures and forward contracts to hedge its net position in certain non-ferrous metals and does not use futures and forward contracts for trading purposes. The Company has elected not to classify these futures and forward contracts as hedging instruments under the provisions of SFAS No. 133. As a result, the Company marked its outstanding futures and forwards contracts to market at April 1, 2001 and recognizes the changes in fair values of its futures and forwards contracts in the statement of operations. The cumulative effect of adopting SFAS No. 133 resulted in an after-tax reduction in net earnings of $0.4 million recorded as of April 1, 2001.

CASH AND CASH EQUIVALENTS

The Company classifies as cash equivalents all highly liquid investments with original maturities of three months or less. The carrying amount of cash and cash equivalents approximates fair value.

ACCOUNTS RECEIVABLE

Accounts receivable represents amounts due from customers on product, broker and other sales. The carrying amount of accounts receivable approximates fair value. The Company's determination of the allowance for uncollectible accounts receivable includes a number of factors, including the age of the accounts, past experience with the accounts, changes in collection patterns and general industry conditions. Allowance for uncollectible accounts were approximately $1.0 million and $2.4 million at March 31, 2003 and 2002, respectively.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation. Major renewals and improvements are capitalized, while repairs and maintenance costs are expensed as incurred. Depreciation is determined for financial reporting purposes using the straight-line method over the following estimated useful lives: 10 to 40 years for buildings and improvements, 3 to 15 years for operating machinery and equipment, 2 to 10 years for furniture, fixtures and computer equipment and 3 to 10 years for automobiles and trucks. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statement of operations.

PROPERTY AND EQUIPMENT HELD FOR SALE

The Company reviews its scrap metals operations to evaluate the long-term economic viability of certain of its investments in property and equipment. These reviews result in the identification of redundant property and equipment

which the Company holds for sale. The Company has classified these assets as held for sale and, in the aggregate, has reported the amount as a component of current assets as the Company expects to sell the property and equipment within one year. The assets are recorded at their estimated fair value less costs to dispose of, if any.

GOODWILL AND OTHER INTANGIBLE ASSETS

Reorganized Company

Goodwill includes the excess reorganization value recognized in fresh-start reporting and the excess of the acquisition cost of an acquired entity over the fair value of identifiable net assets acquired. In accordance with SFAS No. 142 (see Note 9 -- Goodwill and Other Intangibles), the Company does not amortize goodwill. Other intangible assets consist of customer lists and non-competition agreements. The Company amortizes these intangibles on a straight-line basis over the estimated useful life or the term of the related agreements.

Goodwill is subject to an annual impairment test whereby goodwill is allocated to the Company's reporting units and an impairment is deemed to exist if the carrying value of the reporting unit exceeds its estimated fair value. No impairment charge was recorded at March 31, 2003 in connection with the annual impairment test.

Predecessor Company

During the third quarter of the fiscal year ended March 31, 2001, the Predecessor Company changed its method of accounting for assessing whether an impairment existed in the recorded amount of acquired business unit goodwill and other intangible assets, from an undiscounted cash flow method to a fair value method. Under its previous accounting method, this determination was made whenever events or circumstances indicated that expected undiscounted future cash flows were less than the recorded investment amounts of acquired businesses, including business unit goodwill and other intangible assets. Under the fair value method, the determination of whether an impairment exists is made whenever events or circumstances indicate that the fair value of investments in acquired businesses, including business unit goodwill and other intangibles, is less than the recorded amount. Any impairment is measured by comparing the recorded amount of investments in acquired businesses, including business unit goodwill and other intangibles, to the fair value. Fair value is determined on the basis of appraised market values, or in the absence of appraised market values, on the basis of discounted cash flows.

The change in method of accounting for assessing whether an impairment existed in the recorded amount of acquired business unit goodwill and other intangible assets was considered a change in accounting inseparable from a change in estimate. The effects of the change in accounting were applied on a prospective basis as of October 1, 2000. As a result of applying the new accounting policy, the Predecessor Company recorded a goodwill impairment charge of $280.1 million in the quarter ended December 31, 2000 representing the entire amount of unamortized business unit goodwill and other intangibles at October 1, 2000.

IMPAIRMENT OF LONG-LIVED ASSETS:

The Company periodically evaluates the recoverability of its long-lived assets (including other intangible assets) and evaluates such assets for impairment whenever events or circumstances indicate that the carrying amount of such assets (or group of assets) may not be recoverable. Impairment is determined to exist if the estimated future undiscounted cash flows are less than the carrying value of such asset. The amount of any impairment then recognized would be calculated as the difference between the fair value and the carrying value of the asset.

Effective April 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144, which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," provides a single accounting model for long-lived assets to be disposed of. SFAS No. 144 significantly changes the criteria that would have to be met to classify an asset as held-for-sale, although it retains many of the fundamental recognition and measurement provisions of SFAS No. 121. The adoption of this statement did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

DEFERRED FINANCING COSTS, NET

Deferred financing costs represent costs incurred in connection with the placement of long-term debt and are capitalized and amortized to interest

expense using the straight-line method over the term of the long-term debt. Deferred financing costs amortization expense for the year ended March 31, 2003, the nine months ended March 31, 2002, the three months ended June 30, 2001 and the year ended March 31, 2001 was $2.2 million, $0.9 million, $1.2 million and $3.0 million, respectively. The deferred financing cost accumulated amortization at March 31, 2003 and 2002 was $3.1 million and $0.9 million, respectively.

INVESTMENTS IN JOINT VENTURES

The Company has investments in two joint ventures which are engaged in the scrap metals recycling business. One of its joint venture investments is Southern Recycling, L.L.C. ("Southern") in which the Company has a 28.5% interest.

Adverse conditions in the scrap industry caused substantial losses pervasively throughout the U.S. scrap processing industry during the fiscal year ended March 31, 2001, including Southern. The adverse conditions affected the results and outlook for the Company's investment in Southern. Consequently, in the fourth quarter of the year ended March 31, 2001, the Company identified an impairment in its investment in Southern. The Company recorded a charge of $1.7 million to reduce its investment (including a note receivable) in Southern to zero. This charge is reflected in income (loss) from joint ventures in the Predecessor Company's statement of operations for the year ended March 31, 2001.

Income from joint ventures was $3.1 million for the year ended March 31, 2003. During fiscal 2003, Southern realized substantial benefits from improved ferrous market conditions including a return to profitability. In addition, Southern strengthened its capitalization by accomplishing a long-term refinancing of its debt during fiscal 2003. As a result, in fiscal 2003, the Company collected $1.5 million on a note receivable from Southern that it had previously reserved and recognized $1.8 million of its share of income related to its investment in Southern.

INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk are primarily trade accounts receivable. The Company sells its products primarily to scrap metal brokers and steel mills located in the United States. Generally, the Company does not require collateral or other security to support customer receivables. Sales to customers outside of the United States are settled by payment in U.S. dollars and generally are secured by letters of credit.

The Company historically had not experienced material losses from the noncollection of accounts receivables. However, from April 2000 to March 2002, weak market conditions in the steel sector led to bankruptcy filings by certain of the Company's customers including, but not limited to, LTV Steel Company, Inc. and Northwestern Steel and Wire Company. These bankruptcies resulted in uncollected receivables of approximately $8 million which were recorded in the year ended March 31, 2001, the three months ended June 30, 2001 and the nine months ended March 31, 2002.

For the year ended March 31, 2003, the ten largest customers of the Company represented approximately 41% of consolidated net sales. These customers comprised approximately 49% of accounts receivable at March 31, 2003. Sales during the year ended March 31, 2003 to The David J. Joseph Company represented approximately 15% of consolidated net sales.

For the year ended March 31, 2003, export sales represented approximately 14% of consolidated net sales. At March 31, 2003, receivables from foreign customers represented approximately 3% of consolidated accounts receivable.

COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss), which is reported on the consolidated statement of stockholders' equity, consists of net income (loss) and other gains/losses affecting stockholders' equity that, under generally accepted accounting principles, are excluded from net income (loss).

EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per common share ("EPS") is computed by dividing net income (loss) applicable to common stock by the weighted average common shares outstanding. Diluted EPS reflects the potential dilution that could occur from the exercise of stock options and warrants or the conversion of debt and preferred stock into common stock.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of financial instruments including other assets, accounts payable, and current portion of long-term debt approximate the related fair value because of the relatively short maturity of these instruments. As a result of adopting SFAS No. 133 on April 1, 2001, the carrying amounts of futures contracts are equal to the fair values as determined from market quotes.

The fair value of the Credit Agreement approximates its fair value as the facility bears a floating rate of interest based on the prime rate. The fair market value of the Junior Secured Notes, based on market quotes, was $23.6 million (carrying value of $31.5 million) and $21.2 million (carrying value of $34 million) at March 31, 2003 and 2002, respectively. The carrying value of the Company's other borrowings approximates fair value.

STOCK BASED COMPENSATION

The Company accounts for stock based compensation under the recognition and measurement principles of APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The only stock based compensation cost reflected in net income was the fair value of warrants issued to a consultant and value associated with the acceleration of vesting of certain warrants for a terminated employee.

The following table illustrates the pro forma effects on net income (loss) and earnings (loss) per common share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for

Stock-Based Compensation" to stock-based employee compensation (in thousands, except for earnings per share):

<Table>
<Caption>

	REORGANIZED COMPANY		PREDECESSOR COMPANY	
	YEAR ENDED MARCH 31, 2003	NINE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED JUNE 30, 2001	YEAR ENDED MARCH 31, 2001
<S>	<C>	<C>	<C>	<C>
Net income (loss), as reported	$20,501	$(6,083)	$128,599	$(365,617)
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	22	0	0	0
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(956)	(962)	(328)	(1,610)
PRO FORMA NET INCOME (LOSS)	$19,567	$(7,045)	$128,271	$(367,227)
Earnings per share:				
Basic -- as reported	$ 2.02	$ (0.60)	$ 2.08	$ (6.18)
Basic -- pro forma	$ 1.93	$ (0.70)	$ 2.08	$ (6.21)
Diluted -- as reported	$ 1.98	$ (0.60)	$ 2.08	$ (6.18)
Diluted -- pro forma	$ 1.89	$ (0.70)	$ 2.08	$ (6.21)
ASSUMPTIONS:				
Expected life (years)	3	3	3	3
Expected volatility	124.2%	269.2%	89.8%	89.8%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	1.93%	4.31%	4.48%	4.33%
Weighted-average fair value per option/ warrant granted	$ 2.42	$ 1.19	n/a	$ 0.89

</Table>

The fair value of each option and warrant grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option valuation model was originally developed for use in estimating the fair value of

traded options, which have different characteristics than the Company's employee stock options and warrants. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. As a result, it is management's opinion that the Black-Scholes model may not necessarily provide a reliable single measure of the fair value of employee stock options and warrants.

SEGMENT REPORTING

The Company currently operates in one reportable segment, the scrap metal recycling industry, as determined in accordance with SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information."

SELF-INSURED RESERVES

The Company is self-insured for medical claims for most of its employees. The Company's exposure to medical claims is protected by a stop-loss insurance policy. The Company records a reserve for the estimated cost of reported but unpaid and incurred but not reported ("IBNR") claims. The estimate is based on a lag

estimate calculated by its insurance plan administrator and its historical claims experience. The lag accrual is based on recent actual claims paid. Effective April 1, 2003, the Company is also self-insuring for workers' compensation claims. The Company has a stop-loss insurance policy for individual claims that exceed $250,000.

NEW ACCOUNTING PRONOUNCEMENTS

In April 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections." This statement addresses, among other items, the classification of gains and losses from extinguishment of debt. Under the provisions of SFAS No. 145, gains and losses from extinguishment of debt can only be classified as extraordinary items if they meet the criteria set forth in APB Opinion No. 30. This statement is effective for fiscal years beginning after May 15, 2002. Upon adoption of SFAS No. 145, the extraordinary gains on the debt extinguishments recognized during the year ended March 31, 2003 and the extraordinary gain on debt discharge recognized by the Predecessor Company during the three months ended June 30, 2001 will be reclassified to other income in the Company's statement of operations.

Effective January 1, 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The adoption of this statement did not have a material affect on the Company's consolidated financial position, results of operations or cash flows.

In November 2002, FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires certain guarantees be recorded at fair value as opposed to the current practice of recording a liability only when a loss is probable and reasonably estimable. FIN 45 also requires a guarantor to make significant new guaranty disclosures, even when the likelihood of making any payments under the guarantee is remote. The disclosure requirements of FIN 45 are effective for interim and annual periods ending after December 15, 2002, and the Company has adopted these requirements for its financial statements included in this report. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 148 provides alternative methods of transition to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting used for stock-based employee compensation and the effect on reported net income and earnings per share. The Company has not changed the way its accounts for stock-based employee compensation, although it has adopted the disclosure provisions of SFAS No. 148.

In January 2003, FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51 and applies immediately to any variable interest entities created after January 31, 2003 and to variable interest entities in which an interest is obtained after that date. FIN 46 will be applicable to the Company in the second quarter of fiscal 2004, for interests acquired in variable interest entities prior to February 1, 2003. The Company

does not have any variable interest entities and therefore adoption of this interpretation will have no impact on the Company's results of operations or financial condition.

NOTE 3 -- REORGANIZATION UNDER CHAPTER 11

On the Petition Date, the Company filed voluntary petitions commencing cases under Chapter 11 of the Bankruptcy Code with the Bankruptcy Court. From November 20, 2000 until June 30, 2001, the Company operated its business as a debtor-in-possession. These bankruptcy proceedings are referred to as the "Chapter 11 proceedings" herein.

PLAN OF REORGANIZATION

In furtherance of an agreement reached between the Company and the holders of a significant percentage of its pre-petition debt prior to the initiation of the Chapter 11 proceedings, the Company filed a plan of reorganization (the "Plan") pursuant to Chapter 11 of the Bankruptcy Code on May 4, 2001. The Bankruptcy Court confirmed the Plan which became effective on June 29, 2001 (the "Effective Date").

The following is a summary of certain material provisions of the Plan and should be read together with the entire Plan in order to understand all of the terms of the Plan. The Plan, which is Exhibit A of the Company's Disclosure Statement, has been filed as an exhibit to this report and is incorporated by reference herein. The Plan provided for, among other things, the following:

- Junior Secured Note Claims -- on the Effective Date, the holders of the Predecessor Company's $30 million par amount, 12 3/4% junior secured notes due June 15, 2004 received new junior secured notes (the "Junior Secured Notes") aggregating $34.0 million.

- General Trade Claims ("Class 5 Claims") -- the holders of general trade claims of the Predecessor Company who elected not to receive common stock of the Reorganized Company will receive cash payments totaling 30% of their allowed claim. Such payments will be made, without interest, in four equal annual installments. The total amount to be paid to holders of Class 5 Claims is $1.3 million. The first installment was paid in July 2002.

- Impaired Unsecured Claims ("Class 6 Claims") -- the holders of the Predecessor Company's $180 million par amount, 10% senior subordinated notes due May 2008 (the "Subordinated Notes") and the holders of the Predecessor Company's general trade claims who elected (or were otherwise deemed under the Plan to have elected) to be treated as an allowed Class 6 Claim received a total of 9,900,000 shares of common stock of the Reorganized Company. The total amount of Class 6 Claims aggregated approximately $211.9 million.

- Preferred Stockholder and Common Stockholder Claims ("Equity Claims") -- the holders of the Predecessor Company's convertible preferred stock received their pro-rata share of 7,300 shares of common stock of the Reorganized Company and warrants (designated as "Series A Warrants") to purchase 54,750 shares of common stock of the Reorganized Company. The holders of the Predecessor Company's common stock received their pro-rata share of 92,700 shares of common stock of the Reorganized Company and Series A Warrants to purchase 692,750 shares of common stock of the Reorganized Company. The Series A Warrants are immediately exercisable at an exercise price equal to $21.19 per share.

- A Management Equity Incentive Plan was approved under the Plan pursuant to which the Company issued, to certain employees, warrants to purchase 987,500 shares of common stock at an exercise price of $6.50 per share (designated as "Series B Warrants") and warrants to purchase 500,000 shares of common stock at an exercise price of $12.00 per share (designated as "Series C Warrants").

REORGANIZATION COSTS

Reorganization costs directly associated with the Chapter 11 proceedings for the nine months ended March 31, 2002, the three months ended June 30, 2001 and the year ended March 31, 2001 are as follows (in thousands):

<Table>
<Caption>

REORGANIZED |

	COMPANY	PREDECESSOR COMPANY	
	NINE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED JUNE 30, 2001	YEAR ENDED MARCH 31, 2001
<S>	<C>	<C>	<C>
Professional fees	$151	$ 6,838	$ 3,061
Liability for rejected contracts and settlements	154	2,445	2,948
Write-off of deferred financing costs	0	0	9,044
Fresh-start adjustments	0	919	0
Other	152	145	579
	$457	$10,347	$15,632

</Table>

The Company wrote off $9.0 million of deferred financing costs related to its pre-petition credit facility and its Subordinated Notes. These amounts were written off because the pre-petition credit facility was terminated and replaced with a $200 million debtor-in-possession credit facility and all of the Subordinated Notes were cancelled and exchanged for common stock pursuant to the Plan.

During the Chapter 11 proceedings, the Company and the Official Committee of Unsecured Creditors each engaged financial advisors. As a result of the consummation of the Plan, both financial advisors were entitled to restructuring success fees. The restructuring success fees paid to the Company's financial advisor aggregated $2.6 million.

The financial advisor for the Official Committee of Unsecured Creditors was CIBC World Markets Corp. ("CIBC"), a company in which Daniel W. Dienst, now the Chairman of the Board and a director of the Company, is a managing director. Professional fees paid to CIBC during the year-ended March 31, 2001 and the three months ended June 30, 2001 was approximately $0.4 million and $2.6 million, respectively. Fees paid to CIBC during the three months ended June 30, 2001 include restructuring success fees of $2.1 million, paid as follows: i) $1.05 million in cash and ii) $1.05 million paid through the issuance of 161,538 shares of common stock (at $6.50 per share).

Rejected contracts and settlement charges represent amounts recorded for additional allowable claims under rejected employment, lease and other contracts and settlements reached on existing claims. Fresh-start adjustments represent the net impact of adjustments to state recorded assets and liabilities at their fair values.

NOTE 4 -- FRESH-START REPORTING

As previously discussed, the consolidated financial statements reflect the use of fresh-start reporting as required by SOP 90-7. Under fresh-start reporting, a reorganization value for the entity was determined by the Company's financial advisor based upon the estimated fair value of the enterprise before considering values allocated to debt to be settled in the reorganization. The reorganization value was allocated to the fair values of the Company's assets and liabilities. The portion of the reorganization value which could not be attributed to specific tangible or identified intangible assets of the Reorganized Company was $15.5 million. In accordance with SFAS No. 142, this amount is reported as "Goodwill" in the consolidated financial statements and is not being amortized (See Note 9 -- Goodwill and Other Intangibles).

The reorganization value for the equity of the Reorganized Company, aggregating $65 million, was based on the consideration of many factors and various valuation methods, including a discounted cash flow analysis using projected financial information, selected publicly traded company market multiples of certain companies

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operating businesses viewed to be similar to that of the Company, and other applicable ratios and valuation techniques believed by the Company and its financial advisor to be representative of the Company's business and industry. The valuation was based upon a number of estimates and assumptions, which are inherently subject to significant uncertainties and contingencies beyond the control of the Company.

The consolidated statement of operations of the Predecessor Company for the three months ended June 30, 2001 reflect fresh start reporting adjustments of $0.9 million and an extraordinary gain of $145.7 million related to the discharge of indebtedness in accordance with the Plan. The following summarizes the effects of fresh-start reporting on the Company's consolidated balance sheet

as of June 30, 2001 (in thousands):

<Table>
<Caption>

	PREDECESSOR COMPANY 6/30/01	REORGANIZATION ADJUSTMENTS	FRESH START ADJUSTMENTS	NOTES	REORGANIZE COMPANY 6/30/01
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS					
Current assets	$ 128,099				$128,099
Property and equipment, net	142,883				142,883
Deferred financing costs, net	1,175	(35)		(a,b)	1,140
Goodwill	0	14,542	919	(i)	15,461
Other assets	2,038		(103)	(g)	1,935
TOTAL ASSETS	$ 274,195	$ 14,507	$ 816		$289,518
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 1,980				$ 1,980
Accounts payable	50,442	1,339		(c)	51,781
Accrued interest	4,053	(3,963)		(b)	90
Other accrued liabilities	19,554				19,554
TOTAL CURRENT LIABILITIES	76,029	(2,624)			73,405
Long-term debt, less current portion:					
Debtor-in-possession agreement	110,455	(110,455)		(a)	0
Old junior secured notes	27,983	(27,983)		(b)	0
Credit Agreement	0	111,595		(a)	111,595
Junior Secured Notes	0	33,963		(b)	33,963
Other debt	897				897
Other liabilities	2,645	1,500	513	(e,g)	4,658
TOTAL LONG-TERM LIABILITIES	141,980	8,620	513		151,113
Liabilities subject to compromise	215,636	(215,636)		(c,d,e)	0
Stockholders' equity (deficit):					
Series B convertible preferred stock	815	(815)		(f)	0
Series C convertible preferred stock	5,100	(5,100)		(f)	0
Common stock	559	(559)		(f)	0
Warrants	40,428	(40,428)		(f)	0
New common equity -- issuable	0	65,000		(d,f)	65,000
Additional paid-in-capital	271,605	(271,605)		(f)	0
Accumulated other comprehensive loss	(303)	0	303	(g)	
Accumulated deficit	(477,654)	477,654	0	(b,d,e,g,h)	0
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(159,450)	224,147	303		65,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 274,195	$ 14,507	$ 816		$289,518

</Table>

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NOTES:

(a) Reflects the proceeds of the Credit Agreement, the repayment of the Company's obligations under the debtor-in-possession credit agreement and the deferred financing costs paid with respect to the Credit Agreement.

<PAGE>

(b) Reflects the exchange of the old junior secured notes for Junior Secured Notes in an amount equal to the par amount of the old junior secured notes plus unpaid and accrued interest, the write-off of $2.0 million of unamortized discount on the old junior secured notes and the write-off of $1.2 million of unamortized deferred financing costs on the old junior secured notes.

(c) Reflects the reclassification of cure payments and convenience class payments to be paid in cash under the Plan.

(d) Reflects the conversion of all Class 6 Claims into 9,900,000 shares of common stock. The $145.4 million excess of obligations eliminated over the fair value of common stock issued to holders of Class 6 Claims is included in the extraordinary gain of $145.7 million recognized in the three months ended June 30, 2001.

(e) Reflects the conversion of $5.0 million of Class 5 Claims into a 4-year, non-interest bearing payable. In accordance with the Plan, the non-interest bearing payable represents 30% of the original claim and is recorded at its

present value. The $3.5 million excess of the obligations eliminated over the fair value of the non-interest bearing payable is included in the extraordinary gain of $145.7 million recognized in the three months ended June 30, 2001.

(f) Reflects the cancellation of the Predecessor Company's convertible preferred stock, common stock and warrants to purchase common stock and the issuance of 100,000 shares of common stock and warrants to purchase 750,000 shares of common stock to the shareholders of the Predecessor Company.

(g) Reflects the adjustment of pension assets and liabilities to fair value.

(h) Reflects the elimination of the accumulated deficit as of June 30, 2001.

(i) Reflects the establishment of goodwill representing the excess of the reorganization value over the aggregate fair value of the Company's tangible and identifiable intangible assets.

NOTE 5 -- NON-CASH AND NON-RECURRING EXPENSE (INCOME)

During the year ended March 31, 2003, the nine months ended March 31, 2002, the three months ended June 30, 2001 and the year ended March 31, 2001, the Company recorded the following non-cash and non-recurring expense (income) and related reserve activity (in thousands):

<Table>
<Caption>

	SEVERANCE, FACILITY CLOSURE AND OTHER CHARGES	ASSET IMPAIRMENT AND DIVESTITURE GAINS/LOSSES	MERGER RELATED COSTS	TOTAL
<S>	<C>	<C>	<C>	<C>
PREDECESSOR COMPANY:				
Reserve balances at March 31, 2000	$ 808	$ 0	$ 413	$ 0
Charge to income	571	5,828	0	6,399
Cash payments	(1,055)	0	(38)	(1,093)
Non-cash application	(139)	(5,828)	(375)	(6,342)
Reserve balances at March 31, 2001	185	0	0	185
Charge to income	0	1,941	0	1,941
Cash payments	(148)	0	0	(148)
Non-cash application	0	(1,941)	0	(1,941)
REORGANIZED COMPANY:				
Reserve balances at June 30, 2001	37	0	0	37
Charge to income	0	3,944	0	3,944
Cash payments	(37)	0	0	(37)
Non-cash application	0	(3,944)	0	(3,944)
Reserve balances at March 31, 2002	0	0	0	0
Credit to income	0	(695)	0	(695)
Non-cash application	0	695	0	695
Reserve balances at March 31, 2003	$ 0	$ 0	$ 0	$ 0

</Table>

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SEVERANCE, FACILITY CLOSURE AND OTHER CHARGES AND ASSET IMPAIRMENT

YEAR ENDED MARCH 31, 2001 ACTIVITY

During the three months ended June 30, 2000, the Company recognized a $2.6 million asset impairment charge related to a promissory note, including accrued interest, received by the Company in conjunction with the sale of its former Superior Forge, Inc. ("Superior") subsidiary. The Company determined it was necessary to fully reserve the note receivable and accrued interest based on factors including (i) quarterly interest payments on the note receivable having not been paid since September 1999, (ii) losses from Superior's operations exceeding those planned, and (iii) the perceived inability of Superior to obtain capital to refinance its obligations.

As a result of the initiation of the Chapter 11 proceedings, the Company performed a comprehensive review of its scrap metals operations to evaluate the long term economic viability of certain of its investments and to accelerate the integration of various operations in recognition of the significant adverse market conditions during the year ended March 31, 2001, its liquidity needs, and ongoing integration and consolidation efforts. The review resulted in decisions made in the fourth quarter of the year ended March 31, 2001 to abandon under-performing recycling operations in Ohio and Arizona. In connection with the facility abandonments and other termination arrangements, the Company

incurred $0.2 million of severance and $0.4 million for lease cancellation, facility cleanup and other facility closure costs.

The recycling facilities that were abandoned were integrated, where economically justified, into other Company facilities. In those instances where equipment was transferred to other Company facilities, such equipment was transferred at its carrying value. Equipment to be disposed of or otherwise converted to scrap was taken out of service and written down to its net realizable value resulting in a non-cash charge of $3.2 million.

THREE MONTHS ENDED JUNE 30, 2001 ACTIVITY

During the three months ended June 30, 2001, the Company recognized a $1.9 million asset impairment charge related to excess equipment to be disposed of or otherwise abandoned.

NINE MONTHS ENDED MARCH 31, 2002 ACTIVITY

During December 2001, the Company completed an evaluation of the economic viability of its Macleod operations in California considering the current market conditions, liquidity needs and the outlook for a return to historical operating levels. As a result, management implemented a plan to dispose of this facility and commenced a complete wind-down of its operations. The Company recognized a $3.1 million asset impairment charge related to this decision.

During March 2002, the Company recognized a $0.8 million asset impairment charge related to property and equipment. The impairment charge included adjustments to the carrying value of property and equipment previously classified as held-for-sale, as estimates of their fair values were revised based on current market conditions, and charges related to additional excess equipment to be disposed of or otherwise abandoned.

YEAR ENDED MARCH 31, 2003 ACTIVITY

During December 2002, the Company completed its exit from its Macleod operations and generated $0.7 million more proceeds from the sale of assets than originally anticipated. As a result, the Company recognized non-cash and non-recurring income of $0.7 million.

MERGER RELATED COSTS

During the year ended March 31, 2001, the Company made payments of $38,000 relating to certain contracts and subsequently rejected the contracts in the Chapter 11 proceedings. The non-cash utilization of $375,000 represented the remaining balance due on the contracts which were reclassified to a liability subject to compromise and settled in accordance with the Plan.

NOTE 6 -- EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator used in computing EPS (in thousands, except per share amounts):

<Table>
<Caption>

	REORGANIZED COMPANY		PREDECESSOR COMPANY	
	YEAR ENDED MARCH 31, 2003	NINE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED JUNE 30, 2001	YEAR ENDED MARCH 31, 2001
<S>	<C>	<C>	<C>	<C>
NUMERATOR:				
Income (loss) before cumulative effect of change in accounting principle and extraordinary gain	$20,142	$(6,083)	$(16,754)	$(365,322)
Elimination of interest expense upon assumed conversion of note payable, net of tax	77	0	0	0
Dividends on convertible preferred stock	0	0	0	(295)
Net income (loss) applicable to common stock	$20,219	$(6,083)	$(16,754)	$(365,617)
DENOMINATOR:				
Weighted average number of shares outstanding	10,162	10,120	61,731	59,131
Assumed conversion of note payable	192	0	0	0
Incremental common shares attributable to dilutive stock options and warrants	17	0	0	0
Weighted average number of diluted shares outstanding	10,371	10,120	61,731	59,131
Basic income (loss) per share	$ 1.98	$ (0.60)	$ (0.27)	$ (6.18)

Diluted income (loss) per share	$ 1.95	$ (0.60)	$ (0.27)	$ (6.18)

</Table>

For the year ended March 31, 2003, approximately 2.3 million potential common shares related to stock options and warrants were excluded from the diluted EPS calculation as the option and warrant exercise prices were greater than the average market price of the Company's common stock for the period.

Due to the loss from continuing operations applicable to common stock for the nine months ended March 31, 2002, the three months ended June 30, 2001 and the year ended March 31, 2001, the effect of dilutive stock options and warrants and convertible note payable were not included as their effect would have been anti-dilutive.

NOTE 7 -- SUPPLEMENTARY FINANCIAL INFORMATION

INVENTORIES

Inventories for all periods presented are stated at the lower of cost or market. Cost is determined principally on the average cost method. Inventories consist of the following categories at March 31 (in thousands):

<Table>
<Caption>

	2003	2002
<S>	<C>	<C>
Ferrous metals	$32,791	$19,654
Non-ferrous metals	15,851	16,807
Other	677	820
	$49,319	$37,281

</Table>

<PAGE>

OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following at March 31 (in thousands):

<Table>
<Caption>

	2003	2002
<S>	<C>	<C>
Accrued employee compensation and benefits	$ 9,783	$ 3,927
Accrued real and personal property taxes	1,659	1,663
Accrued insurance	1,059	1,452
Accrued credit agreement fees	0	2,000
Other	5,070	5,399
	$17,571	$14,441

</Table>

COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) was as follows (in thousands):

<Table>
<Caption>

	REORGANIZED COMPANY		PREDECESSOR COMPANY	
	YEAR ENDED MARCH 31, 2003	NINE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED JUNE 30, 2001	YEAR ENDED MARCH 31, 2001
<S>	<C>	<C>	<C>	<C>
Net income (loss)	$20,501	$(6,083)	$128,599	$(365,322)
Adjustment to minimum pension liability	(1,741)	(471)	0	(270)
Total comprehensive income (loss)	$18,760	$(6,554)	$128,599	$(365,592)

</Table>

INTEREST AND OTHER INCOME

Significant components of interest and other income are as follows (in thousands):

<Table>

<Caption>

	REORGANIZED COMPANY		PREDECESSOR COMPANY	
	YEAR ENDED MARCH 31, 2003	NINE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED JUNE 30, 2001	YEAR ENDED MARCH 31, 2001
<S>	<C>	<C>	<C>	<C>
Gain (loss) on disposal of real and personal property	$2,368	$(185)	$ 0	$(167)
Interest income	180	273	92	398
Other income	386	199	19	288
Total	$2,934	$ 287	$111	$ 519

</Table>

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METAL MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 8 -- PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31 (in thousands):

<Table>
<Caption>

	2003	2002
<S>	<C>	<C>
Land and improvements	$ 23,759	$ 22,496
Buildings and improvements	19,180	18,546
Operating machinery and equipment	87,846	82,164
Automobiles and trucks	8,724	8,398
Computer equipment and software	2,227	2,046
Furniture, fixture and office equipment	773	764
Construction in progress	2,570	2,482
	145,079	136,896
Less -- accumulated depreciation	(30,395)	(13,230)
	$114,684	$123,666

</Table>

Depreciation expense was $17.5 million, $13.7 million, $4.7 million and $19.4 million for the year ended March 31, 2003, the nine months ended March 31, 2002, the three months ended June 30, 2001 and the year ended March 31, 2001, respectively. At March 31, 2003 and 2002, $3.5 million and $10.1 million of property and equipment was classified as held-for-sale, respectively, and is reported in current assets in the consolidated balance sheets.

NOTE 9 -- GOODWILL AND OTHER INTANGIBLES

The Company adopted SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets" in connection with fresh-start reporting. SFAS No. 141 requires the use of the purchase method of accounting for business combinations initiated after June 30, 2001 and establishes specific criteria for the recognition of intangible assets separately from goodwill. SFAS No. 142 requires, among other things, the discontinuance of amortization related to goodwill and indefinite lived intangible assets. Under SFAS No. 142, goodwill is tested annually for impairment and in interim periods if certain events occur indicating that the carrying value of goodwill may be impaired.

The following unaudited pro forma information presents a summary of the consolidated statements of operations for the year ended March 31, 2001 assuming that SFAS No. 142 was adopted on April 1, 2000. The adoption of SFAS No. 142 did not impact the Company's consolidated statement of operations for the three months ended June 30, 2001 as no goodwill amortization expense was previously recognized (in thousands, except per share amounts):

<Table>
<Caption>

	PREDECESSOR COMPANY MARCH 31, 2001	
	AS REPORTED	PRO FORMA
<S>	<C>	<C>
Loss from continuing operations before cumulative effect of change in accounting principle and		

extraordinary gain	$(365,322)	$(361,675)
Net loss applicable to common stock	$(365,617)	$(361,970)
Loss per share, basic and diluted:		
Loss from continuing operations before cumulative effect of change in accounting principle and extraordinary gain	$ (6.18)	$ (6.12)
Net loss applicable to common stock	$ (6.18)	$ (6.12)

</Table>

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In October 2002, the Company acquired certain assets of a scrap metals recycling company. The aggregate purchase consideration was $3.3 million consisting of (i) $3.0 million of cash paid at closing, (ii) contingent consideration of $0.2 million of cash placed in escrow, and payable in October 2003 after the achievement of certain earnout targets measured by tons of material purchased from acquired customer accounts, and (iii) $0.1 million of transaction costs. The Company obtained independent valuations of the tangible and intangible assets associated with the purchase and allocated the purchase consideration as follows: (i) $0.9 million to the fair value of equipment, (ii) $1.3 million to customer lists (which is being amortized over 15 years), and (iii) $1.1 million to goodwill. In January 2003, the Company entered into a non-compete agreement, with a term of 4 years, with a former consultant for an aggregate consideration of $240,000.

The Company's goodwill and other intangibles consist of the following at March 31 (in thousands):

<Table>
<Caption>

	2003		2002	
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION
<S>	<C>	<C>	<C>	<C>
Intangible assets:				
Customer lists	$1,280	$(43)	$ 0	$0
Non-compete agreement	240	(10)	0	0
Pension intangible	6	0	0	0
Goodwill	4,336	0	15,461	0
Goodwill and other intangibles, net	$5,862	$(53)	$15,461	$0

</Table>

Total amortization expense for other intangibles for the year ended March 31, 2003 was $53,000. Amortization expense for other intangibles for the next five years is as follows (in thousands):

<Table>

<S>	<C>
FISCAL YEAR ENDING MARCH 31,	
2004	$ 145
2005	145
2006	145
2007	135
2008	85

</Table>

During the year ended March 31, 2003, the Company reduced goodwill by $12.2 million as a result of the utilization of pre-emergence deferred tax assets (see Note 11 -- Income Taxes).

NOTE 10 -- LONG-TERM DEBT

Long-term debt consists of the following at March 31 (in thousands):

<Table>
<Caption>

	2003	2002
<S>	<C>	<C>
Credit Agreement, average interest rate of 4.97% in 2003 and 5.86% in 2002	$57,225	$ 97,054
12 3/4% Junior Secured Notes due June 2004	31,533	33,963
10% convertible note payable due December 2002	0	1,568

Other debt (including capital leases), due 2003 to 2009, average interest rate of 8.26% in 2003 and 8.28% in 2002, with equipment and real estate generally pledged as collateral	852	1,375
	89,610	133,960
Less -- current portion of long-term debt	(318)	(2,321)
	$89,292	$131,639

</Table>

<PAGE>

METAL MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Scheduled maturities of long-term debt are as follows (in thousands):

<Table>

<S>	<C>
FISCAL YEAR ENDING MARCH 31,	
2004	$ 318
2005	89,000
2006	54
2007	53
2008	57
Thereafter	128
Total	$89,610

</Table>

CREDIT AGREEMENT

On June 29, 2001, the Company entered into a $150 million revolving loan and letter of credit facility (the "Credit Agreement") with Deutsche Bank Trust Company Americas, as agent for the lenders thereunder. On February 14, 2003, the Credit Agreement was amended to reduce the maximum amount of borrowings available under the credit facility to $115 million. On May 23, 2003, the Credit Agreement was amended to extend the maturity date to June 7, 2004. The Credit Agreement is available to fund working capital needs and for general corporate purposes.

Borrowings under the Credit Agreement are subject to certain borrowing base limitations based upon a formula equal to 85% of eligible accounts receivable, the lesser of $65 million or 70% of eligible inventory, and a fixed asset sublimit of $20.3 million as of May 29, 2003, which amortizes by $2.4 million on a quarterly basis and under certain other conditions. A security interest in substantially all of the assets and properties of the Company, including pledges of the capital stock of the Company's subsidiaries, has been granted to the agent for the lenders as collateral against the obligations of the Company under the Credit Agreement. The Credit Agreement provides the Company with the option of borrowing based either on the prime rate (as specified by Deutsche Bank AG, New York Branch) or at the London Interbank Offered Rate ("LIBOR") plus a margin. Pursuant to the Credit Agreement, the Company pays a fee of .375% on the undrawn portion of the facility. Fees and expenses paid to the lenders by the Company during the year ended March 31, 2003 amounted to $2.8 million.

The Credit Agreement requires the Company to meet certain financial tests, including an interest coverage ratio and a leverage ratio (each as defined in the Credit Agreement). The Credit Agreement also contains covenants which, among other things, limit (i) the amount of capital expenditures; (ii) the incurrence of additional indebtedness; (iii) the payment of dividends; (iv) transactions with affiliates; (v) asset sales; (vi) acquisitions; (vii) investments; (viii) mergers and consolidations; (ix) prepayments of certain other indebtedness; (x) liens and encumbrances; and (xi) other matters customarily restricted in such agreements.

The Company's ability to meet financial ratios and tests in the future may be affected by events beyond its control, including fluctuations in operating cash flows and working capital. While the Company currently expects to be in compliance with the covenants and satisfy the financial ratios and tests in the future, there can be no assurance that the Company will meet such financial ratios and tests or that it will be able to obtain future amendments or waivers to the Credit Agreement, if so needed, to avoid a default. In the event of a default, the lenders could elect to not make loans available to the Company and declare all amounts borrowed under the Credit Agreement to be due and payable. If the Company is not able to extend or renew the Credit Agreement and cannot obtain alternative financing, it will not be able to generate sufficient cash flows from operations to satisfy all of its obligations as they mature in fiscal 2005.

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JUNIOR SECURED NOTES

The Junior Secured Notes bear interest at 12 3/4% and are due on June 15, 2004. A second priority lien on substantially all of the Company's real and personal property and equipment has been pledged as collateral against the Junior Secured Notes.

Interest on the Junior Secured Notes is payable semi-annually during June and December of each year. The Junior Secured Notes are redeemable at the Company's option (in multiples of $10 million) at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest. The Junior Secured Notes are redeemable at the option of the holders of such notes at a repurchase price of 101% of the principal amount thereof, plus accrued and unpaid interest, in the event the Company experiences a change of control (as such term is defined in the indenture governing the Junior Secured Notes). The Company is required to redeem all or a pro-rata portion of the Junior Secured Notes at a repurchase price of 100% of the principal amount thereof, plus accrued and unpaid interest, in the event that the Company makes certain asset sales.

The indenture governing the Junior Secured Notes, as amended, contains restrictions including limits on, among other things, the Company's ability to: (i) incur additional indebtedness; (ii) pay dividends or distributions on its capital stock or repurchase its capital stock; (iii) issue stock of subsidiaries; (iv) make certain investments; (v) create liens on its assets; (vi) enter into transactions with affiliates; (vii) merge or consolidate with another company; and (viii) transfer and sell assets or enter into sale and leaseback transactions.

During the year ended March 31, 2003, the Company repurchased $2.4 million par amount of Junior Secured Notes and recognized an extraordinary gain, net of tax, of $0.4 million.

CONVERTIBLE DEBT

The Company issued a $1.6 million, 10% promissory note, due December 31, 2002, to its financial advisor involved in the Chapter 11 proceedings (see Note 3 -- Reorganization under Chapter 11). The Company repaid $0.8 million of the promissory note on December 31, 2002 and repaid the remaining balance of $0.8 million on January 31, 2003. The holder of the promissory note had the option of converting a minimum of $500,000 of the principal amount of the promissory note into common stock at $6.46 per share.

NOTE 11 -- INCOME TAXES

At the emergence date, the Company had available federal net operating loss ("NOL") carryforwards of approximately $112 million, which expire through 2022, and net deferred tax assets (including NOL carryforwards) of approximately $75 million. Under fresh-start reporting, realization of net deferred tax assets that existed as of the emergence date will first reduce goodwill until exhausted and thereafter are reported as an increase to additional paid-in-capital. In addition, the use of emergence date net deferred tax assets during fiscal 2003 results in the recognition of income tax expense without the corresponding payment of cash taxes. The Company has recorded a valuation allowance against the emergence date net deferred tax assets, including NOL carryforwards remaining at March 31, 2003, due to the uncertainty regarding their ultimate realization. Realization is dependent upon generating sufficient future taxable income and the release of the valuation allowance is dependent on the Company's ability to forecast future results. When the Company is able to demonstrate a pattern of predictable level of profitability and thereby sufficiently reduce the uncertainty relating to the realization of the NOL's, the valuation allowance will be recorded first as a reduction of goodwill and then as an increase to paid-in-capital.

<PAGE>

The provision for federal and state income taxes is as follows (in thousands):

<Table>
<Caption>

	REORGANIZED COMPANY		PREDECESSOR COMPANY	
	YEAR ENDED MARCH 31, 2003	NINE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED JUNE 30, 2001	YEAR ENDED MARCH 31, 2001
<S>	<C>	<C>	<C>	<C>
Federal:				
Current	$ 363	$0	$0	$ 0

Deferred	10,240	0	0	6,080
	10,603	0	0	6,080
State:				
Current	$ 223	$0	$0	$ 0
Deferred	1,709	0	0	2,211
	1,932	0	0	2,211
Total tax provision	$12,535	$0	$0	$8,291

</Table>

The components of deferred tax assets and liabilities at March 31, related to the following (in thousands):

<Table>
<Caption>

	2003	2002
<S>	<C>	<C>
DEFERRED TAX ASSETS:		
Net operating loss carryforward	$ 41,274	$ 37,053
Goodwill and other intangibles	37,380	39,943
Depreciation	1,435	2,869
Employee benefit accruals	1,222	1,383
Other	2,514	7,143
	83,825	88,391
DEFERRED TAX LIABILITIES:		
Depreciation	(23,758)	(28,909)
Other	(884)	0
	(24,642)	(28,909)
NET DEFERRED TAX ASSET BEFORE VALUATION ALLOWANCE	59,183	59,482
VALUATION ALLOWANCE	(59,183)	(59,482)
NET DEFERRED TAX ASSET	$ 0	$ 0

</Table>

The reconciliation of the federal income tax rate to the Company's effective tax rate is as follows:

<Table>
<Caption>

	REORGANIZED COMPANY		PREDECESSOR COMPANY	
	YEAR ENDED MARCH 31, 2003	NINE MONTHS ENDED MARCH 31, 2002	THREE MONTHS ENDED JUNE 30, 2001	YEAR ENDED MARCH 31, 2001
<S>	<C>	<C>	<C>	<C>
Normal statutory rate	35.0%	(35.0)%	35.0%	(35.0)%
State income taxes, net of federal benefit	4.5	(3.9)	3.9	(3.2)
Change in valuation allowance	(0.6)	37.3	(21.5)	24.2
Non-taxable cancellation of indebtedness income	--	--	(19.4)	--
Non-deductible goodwill impairment	--	--	--	15.7
Non-deductible reorganization costs	--	--	2.0	0.3
Non-deductible goodwill amortization	--	--	--	0.2
Other	(0.5)	1.6	0.0	0.1
Effective tax rate	38.4%	0.0%	0.0%	2.3%

</Table>

NOTE 12 -- EMPLOYEE BENEFIT PLANS

401(K) AND PROFIT SHARING PLANS

The Company offers a 401(k) plan covering substantially all employees. For non-union employees, the Company provides a matching contribution equal to 25% of the employee's pre-tax contribution, up to 6% of the employee's compensation. For employees covered under collective bargaining agreements, Company matching contributions are made in accordance with each respective collective bargaining

agreement. Forfeitures of unvested Company contributions are used to reduce future Company matching contributions. The Company also may make a discretionary profit sharing contribution to the 401(k) plan. Matching contributions made by the Company amounted to $0.3 million for the year ended March 31, 2003, $0.2 million for the nine months ended March 31, 2002 and $0.2 million for the year ended March 31, 2001. No discretionary contributions have been made into the 401(k) plan.

PENSION PLANS

The Company sponsors four defined benefit pension plans which cover certain employees of certain of the Company's subsidiaries. As of March 31, 2000, the Company permanently eliminated benefit accruals for future service for non-union employees covered under its defined benefit pension plans. For union employees, benefits under the plans are based either on years of service and compensation or based on years of service at fixed benefit rates. The Company's funding policy for these plans is to contribute amounts required to meet regulatory requirements. Plan assets are primarily invested in fixed income obligations of the U.S. government and agencies, cash equivalents and equity securities.

Net pension cost (income) under these plans for the year ended March 31, 2003, the nine months ended March 31, 2002, the three months ended June 30, 2001 and the year ended March 31, 2001 were approximately $0.1 million, $0.1 million, $0.0 million, and $(0.1) million, respectively. The following table

sets forth the funded status of the pension plans and the amounts recognized in the Company's consolidated balance sheets at March 31 (in thousands):

<Table>
<Caption>

	REORGANIZED COMPANY		PREDECESSOR COMPANY
	2003	2002	2001
<S>	<C>	<C>	<C>
CHANGE IN BENEFIT OBLIGATION:			
Projected benefit obligation at April 1	$ 9,702	$ 9,259	$9,167
Service cost	88	68	77
Interest cost	669	527	655
Plan amendments	6	579	0
Benefits paid	(648)	(345)	(458)
Actuarial (gain) loss	481	(386)	(182)
Projected benefit obligation at March 31	10,298	9,702	9,259
CHANGE IN PLAN ASSETS:			
Fair value of plan assets at April 1	7,518	8,907	9,517
Actual gain (loss) on plan assets	(882)	(1,249)	(216)
Contributions	421	205	64
Benefits paid	(648)	(345)	(458)
Fair value of plan assets at March 31	6,409	7,518	8,907
PROJECTED BENEFIT OBLIGATION IN EXCESS OF PLAN ASSETS	(3,889)	(2,184)	(352)
Unrecognized transition (asset)	0	0	(94)
Unrecognized prior service cost	6	0	412
Unrecognized net loss (gain)	2,575	536	(616)
Net amount recognized	$(1,308)	$(1,648)	$ (650)
AMOUNT RECOGNIZED IN CONSOLIDATED BALANCE SHEET:			
Intangible asset	$ 6	$ 0	$ 103
Accrued benefit liability	(3,526)	(2,119)	(1,056)
Accumulated other comprehensive loss	2,212	471	303
Net amount recognized	$(1,308)	$(1,648)	$ (650)
WEIGHTED AVERAGE ASSUMPTIONS AS OF YEAR END:			
Discount rate	6.75%	7.50%	7.50%
Expected return on plan assets	9.00%	9.00%	9.00%
Rate of compensation increase*	5.00%	5.00%	5.00%

</Table>

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* Rate of compensation increase is applicable to only one of the defined benefit pension plans. Benefits for the other three defined benefit pension plans are based on years of service.

Declines in equity markets resulted in negative investment returns in

pension plan assets in 2003 and 2002, which caused pension assets to be lower than actuarial liabilities. As a result, the Company recorded additional minimum pension liabilities of $1.7 million for the year ended March 31, 2003 and $0.5 million for the nine months ended March 31, 2002. The corresponding amounts are required to be recognized as a separate component and reduction in stockholders' equity.

NOTE 13 -- COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases certain facilities and equipment under operating leases expiring at various dates. Lease expense was approximately $9.7 million, $6.9 million, $2.2 million and $8.2 million for the year ended

March 31, 2003, the nine months ended March 31, 2002, the three months ended June 30, 2001 and the year ended March 31, 2001, respectively. Future minimum lease payments under non-cancelable operating leases are as follows (in thousands):

<Table>
<Caption>

FISCAL YEAR ENDING MARCH 31,	
<S>	<C>
2004	$9,187
2005	7,441
2006	5,478
2007	3,628
2008	2,924
Thereafter	19,047

</Table>

LETTERS OF CREDIT

As of March 31, 2003, the Company has outstanding letters of credit of $2.5 million. The letters of credit typically secure the rights to payment to certain third parties in accordance with specified terms and conditions.

ENVIRONMENTAL MATTERS

The Company is subject to comprehensive local, state, federal and international regulatory and statutory requirements relating to the acceptance, storage, handing and disposal of solid waste and waste water, air emissions, soil contamination and employee health, among others. The Company believes that it and its subsidiaries are in material compliance with currently applicable environmental and other applicable laws and regulations. However, environmental legislation may in the future be enacted and create liability for past actions and the Company or its subsidiaries may be fined or held liable for damages.

Certain of the Company's subsidiaries receive from, time to time, notices from the United States Environmental Protection Agency ("USEPA") that these companies and numerous other parties are considered potentially responsible parties and may be obligated under Superfund, or similar state regulatory schemes, to pay a portion of the cost of remedial investigation, feasibility studies and, ultimately, remediation to correct alleged releases of hazardous substances at various third party sites. Superfund may impose joint and several liability for the costs of remedial investigations and actions on the entities that arranged for disposal of certain wastes, the waste transporters that selected the disposal sites, and the owners and operators of these sites. Responsible parties (or any one of them) may be required to bear all of such costs regardless of fault, legality of the original disposal, or ownership of the disposal site.

Although recent amendments to the Superfund law have limited the exposure of scrap metal recyclers under Superfund for sales of recyclable material, the Company can provide no assurance that it will not become liable in the future for significant costs associated with the investigation and remediation of Superfund sites. The only Superfund site in which the Company is currently involved as a potentially responsible party is the Jack's Creek Superfund site in Pennsylvania. As part of the Chapter 11 proceedings, the Company agreed to pay the Jack's Creek PRP Group approximately $153,000 (of which only approximately $77,000 remains to be paid) to resolve its involvement in this Superfund site.

On July 1, 1998, Metal Management Connecticut, Inc. ("MTLM-Connecticut"), a subsidiary of the Company, acquired the scrap metal recycling assets of Joseph A. Schiavone Corp. (formerly known as Michael Schiavone & Sons, Inc.). The acquired assets include real property in North Haven, Connecticut upon which MTLM-Connecticut's scrap metal recycling operations are currently performed (the "North Haven Facility"). The owner of Joseph A. Schiavone Corp. was Michael Schiavone ("Schiavone").

On March 31, 2003, the Connecticut DEP filed suit against Joseph A. Schiavone Corp., Schiavone, and MTLM-Connecticut in the Superior Court of the State of Connecticut -- Judicial District of Hartford. The suit alleges, among other things, that the North Haven Facility discharged and continues to discharge

contaminants, including oily material, into the environment and has failed to comply with the terms of certain permits and other filing requirements. The suit seeks injunctions to restrict MTLM-Connecticut from maintaining discharges and to require MTLM-Connecticut to remediate the facility. The suit also seeks civil penalties from all of the defendants in accordance with Connecticut environmental statutes. At this stage, the Company is not able to predict its potential liability in connection with this action or any required investigation and/or remediation. The Company believes that it has meritorious defenses to certain of the claims asserted in the suit and intends to vigorously defend itself against the claims. In addition, the Company believes it is entitled to indemnification from Joseph A. Schiavone Corp. and Schiavone for some or all of the obligations and liabilities that may be imposed on MTLM-Connecticut in connection with this matter under the various agreements governing its purchase of the North Haven Facility from Joseph A. Schiavone Corp. The Company cannot provide assurances that Joseph A. Schiavone Corp. or Schiavone will have sufficient resources to fund any or all indemnifiable claims that the Company may assert.

LEGAL PROCEEDINGS

From time to time, the Company is involved in various litigation matters involving ordinary and routine claims incidental to its business. A significant portion of these matters result from environmental compliance issues and workers compensation related claims arising from the Company's operations. There are presently no legal proceedings pending against the Company which, in the opinion of the Company's management, is likely to have a material adverse effect on its business, financial condition or results of operations.

PURCHASE OF REAL PROPERTY

In November 2001, the Company amended its lease agreement for land on which it operates a scrap metals recycling facility in Houston, Texas. The lease agreement expires on October 31, 2006 and provides for, among other things, an option for the lessor to sell the land to the Company beginning on the 22nd month of the lease at an amount which approximates fair value. The Company also has an option to purchase the land beginning in the 22nd month of the lease (August 2003). The purchase price for the land is based on the month in which the option is exercised as follows:

<Table>
<Caption>

DATE OF EXERCISE	PURCHASE AMOUNT (IN THOUSANDS)
<S>	<C>
Months 22 - 24	$4,000
Months 25 - 48	$4,250
Months 49 - 60	$4,500

</Table>

INDEMNIFICATION

In connection with a prior acquisition, the Company has agreed to indemnify the selling shareholders in that acquisition (the "Selling Shareholders") for, among other things, breaches of representations, warranties and covenants and for guaranties provided by certain shareholders of commercial agreements. The Selling Shareholders' ability to assert indemnification claims expires in November 2003. No indemnification claims have been asserted against the Company. The amount that the Company could be required to pay under its indemnification obligations could range from $0 to a maximum amount of approximately $2 million, excluding interest and collection costs.

NOTE 14 -- STOCKHOLDERS' EQUITY

The Company is authorized to issue, in one or more series, up to a maximum of 2,000,000 shares of preferred stock. The Company has currently not issued any shares of preferred stock. The Company is authorized to issue 50,000,000 shares of common stock, par value $0.01 per share. In accordance with the

Plan, the Company was required to distribute 10,000,000 shares of common stock

and warrants to purchase 750,000 shares of common stock (designated as "Series A Warrants") as follows:

<Table>
<Caption>

	COMMON STOCK	SERIES A WARRANTS
<S>	<C>	<C>
Unsecured creditors (Class 6)	9,900,000	0
Predecessor Company preferred stockholders	7,300	54,750
Predecessor Company common stockholders	92,700	695,250
Total	10,000,000	750,000

</Table>

The Series A Warrants are immediately exercisable at an exercise price of $21.19 per share and expire on June 29, 2006. As of the date of this report, the Company has issued all 9,900,000 shares of common stock to Class 6 Creditors. However, not all shares of common stock and Series A Warrants have been issued to the Predecessor Company preferred stockholders and common stockholders as these stockholders are required to return their Predecessor Company common stock and preferred stock certificates in order to receive a distribution. For accounting purposes, all 10,000,000 shares of common stock issued pursuant to the Plan are deemed to be outstanding.

NOTE 15 -- STOCK-BASED COMPENSATION PLANS

STOCK OPTION PLANS

In accordance with the Plan, all options granted by the Predecessor Company were cancelled as of the Effective Date.

On September 18, 2002, the shareholders of the Company approved the Metal Management, Inc. 2002 Incentive Stock Plan (the "2002 Incentive Stock Plan"). The 2002 Incentive Stock Plan provides for the issuance of up to 2,000,000 shares of common stock of the Company. The Compensation Committee of the Board of Directors has the authority to issue stock awards under the 2002 Incentive Stock Plan to the Company's employees, consultants and directors over a period of up to ten years. The stock awards can be in the form of stock options, stock appreciation rights or stock grants. Summarized information for the Company's stock option plans are as follows:

<Table>
<Caption>

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>
Options outstanding at March 31, 2002	0	$0.00
Granted	60,000	3.75
Exercised	0	0.00
Expired/forfeited	0	0.00
Options outstanding at March 31, 2003	60,000	$3.75
Exercisable at March 31, 2003	60,000	$3.75

</Table>

WARRANTS

In accordance with the Plan, all warrants issued by the Predecessor Company were cancelled as of the Effective Date. As indicated in Note 3 -- Reorganization Under Chapter 11, a Management Equity Incentive Plan was approved under the Plan. The Series B and Series C Warrants were issued to key employees and each vest ratably over three years and are exercisable for a period of five years and seven years, respectively, from the grant date.

The Series A Warrants, issued pursuant to the Plan, are immediately exercisable and expire on June 29, 2006. As of March 31, 2003, Series A Warrants to purchase 684,029 shares of common stock had been issued.

In May 2002, the Company issued, to certain employees, warrants to purchase 260,000 shares of common stock at an exercise price of $3.75 per share, and also issued to each non-employee director a warrant to purchase 15,000 shares of common stock at an exercise price of $6.50 per share.

Summarized information for warrants issued by the Company is as follows:

<Table>
<Caption>

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>
Warrants outstanding at June 30, 2001	0	$ 0.00
Granted	2,162,718	12.36
Exercised	0	0.00
Expired/forfeited	0	0.00
Warrants outstanding at March 31, 2002	2,162,718	12.36
Granted	328,811	4.72
Exercised	0	0.00
Expired/forfeited	(12,500)	(10.35)
Warrants outstanding at March 31, 2003	2,479,029	$ 11.35
Exercisable at March 31, 2003	1,878,190	$ 12.63

</Table>

The following table summarizes information about options and warrants outstanding at March 31, 2003:

<Table>
<Caption>

	OPTIONS/WARRANTS OUTSTANDING			OPTIONS/WARRANTS EXERCISABLE	
EXERCISE PRICES	SHARES	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YRS)	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
$3.75	317,500	5.15	$ 3.75	192,500	$ 3.75
$6.50	1,047,500	3.58	$ 6.50	728,330	$ 6.50
$12.00	490,000	5.25	$12.00	333,331	$12.00
$21.19	684,029	3.25	$21.19	684,029	$21.19

</Table>

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METAL MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 16 -- SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table sets forth certain unaudited quarterly financial information for the Company's last eight fiscal quarters (in thousands, except per share amounts):

<Table>
<Caption>

	REORGANIZED COMPANY			
FISCAL 2003:	JUNE 30	SEPT. 30	DEC. 31	MAR. 31
<S>	<C>	<C>	<C>	<C>
Net sales	$193,468	$192,845	$169,546	$214,150
Gross profit	28,280	24,815	19,080	32,966
Non-cash and non-recurring expense(a)	0	0	(695)	0
Net income (loss)	7,337	6,355(b)	(272)(c)	7,081(d)
Basic earnings per share(e)	$ 0.72	$ 0.62	$ (0.03)	$ 0.70
Diluted earnings per share(e)	$ 0.71	$ 0.61	$ (0.03)	$ 0.69

</Table>

<Table>
<Caption>

	PREDECESSOR COMPANY	REORGANIZED COMPANY		
FISCAL 2002:	JUNE 30	SEPT. 30	DEC. 31	MAR. 31
<S>	<C>	<C>	<C>	<C>
Net sales	$166,268	$156,978	$141,265	$166,552
Gross profit	17,052	17,614	15,344	22,657
Non-cash and non-recurring expense(a)	1,941	0	3,100	844
Income (loss) from continuing operations				

before reorganization costs, income taxes, cumulative effect of change in accounting principle and extraordinary gain	(6,407)	(1,736)	(6,203)	2,313
Net income (loss)	128,599	(1,991)	(6,405)	2,313
Basic and diluted earnings (loss) per share(e):	$ 2.08	$ (0.20)	$ (0.63)	$ 0.23

</Table>

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(a) Reflects charges recorded for the impairment of fixed assets and facility abandonments. See Note 5 -- Non-Cash and Non-Recurring Expense (Income).

(b) Includes a $2.6 million pre-tax gain on the sale of excess real estate.

(c) Includes a tax charge of $1.8 million to reflect positions taken upon filing the fiscal 2002 tax return in December 2002. As a result of the tax filing, the Company revised its estimates relating to emergence date tax assets that are available to offset current year taxable income.

(d) Includes income from the Company's Southern joint venture of $1.8 million representing its share of the earnings of Southern and $1.5 million from the cash recovery of an impaired note.

(e) The sum of the quarterly per share amounts will not equal per share amounts reported for the year-to-date period due to the changes in the number of weighted-average shares outstanding for each period.

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METAL MANAGEMENT, INC.
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

- ---

<Table>
<Caption>

	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS, NET OF RECOVERIES	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
ALLOWANCE FOR DOUBTFUL ACCOUNTS:					
PREDECESSOR COMPANY:					
Year Ended March 31, 2001	$ 2,642	$ 5,678	$ 0	$ (6,717)	$ 1,603
Three Months Ended June 30, 2001	$ 1,603	$ 1,058	$ 0	$ (357)	$ 2,304
REORGANIZED COMPANY:					
Nine Months Ended March 31, 2002	$ 2,304	$ 2,031	$ 0	$ (1,968)	$ 2,367
Year Ended March 31, 2003	$ 2,367	$ 365	$ 0	$ (1,729)	$ 1,003
TAX VALUATION ALLOWANCE:					
PREDECESSOR COMPANY:					
Year Ended March 31, 2001	$ 470	$86,923	$ 0	$ 0	$87,393
Three Months Ended June 30, 2001	$87,393	$ 0	$ 0	$(22,881)	$64,512
REORGANIZED COMPANY:					
Nine Months Ended March 31, 2002	$64,512	0	$ 0	$ (5,030)	$59,482
Year Ended March 31, 2003	$59,482	$(2,933)	$ 2,634	$ 0	$59,183

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EXHIBIT 3.2

AMENDED AND RESTATED BY-LAWS

OF

METAL MANAGEMENT, INC.

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent of the corporation at such location is The Corporation Trust Company.

1.2 OTHER OFFICES

The board of directors may at any time establish other offices, including a principal executive office, at any place or places within or outside of the State of Delaware.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be held at the principal executive office of the corporation.

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

A special meeting of the stockholders may be called at any time by the board of directors, or by the chairman of the board, or by the president or chief executive officer.

If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, the chief executive officer, or the secretary of the corporation. Any of such officers receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of this Article II, that a meeting will be held at the time requested by the person or persons who called the meeting, not less than

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thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.5 of these by-laws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.6 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of

business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these by-laws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.10 of these by-laws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder. In voting for the election of Directors of the corporation, stockholders shall not be entitled to cumulate votes.

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At a stockholders' meeting at which directors are to be elected, or at elections held under special circumstances, a stockholder shall not be entitled to cumulate votes (i.e., cast for any candidate a number of votes greater than the number of votes which such stockholder normally is entitled to cast).

2.9 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these by-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need to be specified in any written waiver of notice unless so required by the certificate of incorporation or these by-laws.

2.10 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

If the board of director does not so fix a record date:

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the date next preceding the day on which the meeting is held.

(ii) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

2.11 PROXIES

Each stockholder entitled to vote at a meeting may authorize another person or persons to act for him by a written proxy, signed by the stockholder and filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(c) of the General Corporation Law of Delaware.

2.12 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of a corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the

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meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

2.13 ADVANCE NOTIFICATION OF STOCKHOLDER NOMINATIONS FOR DIRECTORS AND OTHER PROPOSALS

No stockholder may propose to nominate persons for election to the Board of Directors at an annual meeting of the stockholders of the corporation or to bring other business before an annual meeting of the stockholders of the corporation, unless such stockholder gives timely notice thereof to the Secretary of the corporation. To be timely, a stockholder's notice must be addressed to the Secretary of the corporation and received at the principal executive offices of the corporation not more than one hundred twenty (120) days and not less than ninety (90) days prior to the first anniversary date of the immediately preceding annual meeting; provided, however, that in the event the annual meeting is called for a date which is not within sixty (60) days before or after such anniversary date, notice by the stockholder, to be timely, must be received no later than the close of business on the fifteenth (15th) day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever occurs first.

Such stockholder's notice shall set forth: (a) as to each person whom the stockholder proposes to nominate at the annual meeting for election to the Board of Directors, (i) the name, age, business address and residential address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the corporation which are beneficially owned by such person, (iv) a description of all arrangements or understandings between such stockholder and such person, (v) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, and any other rules of the Securities and Exchange Commission, (vi) such other information as may be reasonably required by the corporation the eligibility of such person to serve as a director of the corporation, and (vii) any such person's written consent to serve as a director if so elected; (b) as to any other business that such stockholder proposes to bring before the annual meeting, (i) a description of the business desired to be brought before the meeting in sufficient detail for such business to be summarized in the agenda for the meeting, (ii) the reasons for conducting such business at the meeting, and (iii) any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, whose behalf the nomination or proposal is made, (i) the name and address of such stockholder, as it appears on the corporation's books, and of any such beneficial owner. Notwithstanding compliance with the foregoing requirements, no person proposed to be nominated to the Board of Directors by a stockholder pursuant to this procedure shall become a nominee for election to the Board of Directors and no other business shall be considered at the annual meeting unless the stockholder who has provided the notice, or his proxy, nominates such person or introduces such business at the meeting, as the case may be. The presiding officer of the annual meeting shall, if the facts warrant, refuse to acknowledge a nomination or the consideration of business which was not made in compliance with the foregoing requirements.

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ARTICLE III

DIRECTORS

3.1 POWERS

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the certificate of incorporation or these by-laws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 NUMBER OF DIRECTORS

The Board of Directors shall consist of such number of directors as shall be fixed from time to time by resolution of the Board of Directors.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these by-laws, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the certificate of incorporation or these by-laws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

Elections of directors need not be by written ballot.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon written notice to the corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Unless otherwise provided in the certificate of incorporation or these by-laws:

(i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

(iii) Vacancies and newly created directorships resulting from an increase in the authorized number of directors due to the amendment of Section 3.2 of these By-Laws by a vote of the Board of Directors pursuant to Article VII of the Certificate of Incorporation may be filled by a majority of the directors then in office.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a

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stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these by-laws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors of the corporation may hold meetings, both

regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 FIRST MEETINGS

The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected board of directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

3.7 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.8 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, the chief executive officer, the secretary or any two (2) directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone or telecopy to each director or sent by electronic mail, first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone, telecopy, electronic mail or telegram, it shall be delivered personally or by telephone or transmitted via telecopy or electronic mail or delivered to the telegraph company, as the case may be, at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated (i) to the director or (ii) to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director or (iii) to the director's voice message box. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

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3.9 QUORUM

At all meetings of the board of directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjournment the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.10 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these by-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these by-laws.

3.11 ADJOURNED MEETING; NOTICE

If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.12 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

3.13 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these by-laws, the board of directors shall have the authority to fix the compensation of directors.

3.14 APPROVAL OF LOANS TO OFFICERS

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

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3.15 REMOVAL OF DIRECTORS

Unless otherwise restricted by statute, by the certificate of incorporation or by these by-laws, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

3.16 CHAIRMAN OF THE BOARD

The chairman of the board of directors, if one shall be elected, shall give guidance to the chief executive officer, the president and other officers of the Corporation in the setting of corporate policy and the conduct of the Corporation's business and affairs. He or she shall preside generally at all meetings of the stockholders and all meetings of the board of directors and shall have such other duties as the board of directors shall from time to time prescribe. Notwithstanding anything in these bylaws to the contrary, the chairman of the board is not, and shall not be deemed to be, an officer of the Corporation by reason of his or her service in such capacity.

3.17 VICE CHAIRMAN OF THE BOARD

The vice chairman of the board of directors, if one shall be elected, shall, if present and in the absence of the chairman of the board, preside at meetings of the stockholders and of the board of directors and shall have such other duties as the board of directors shall from time to time prescribe. Notwithstanding anything in these bylaws to the contrary, the vice chairman of the board is not, and shall not be deemed to be, an officer of the Corporation by reason of his or her service in such capacity.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, with each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent

or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors or in the by-laws of the corporation, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the general Corporation Law of Delaware, fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's

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property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or (v) amend the by-laws of the corporation; and, unless the board resolution establishing the committee, the by-laws or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these by-laws, Section 3.5 (place of meetings and meetings by telephone), Section 3.7 (regular meetings), Section 3.8 (special meetings and notice), Section 3.9 (quorum), Section 3.10 (waiver of notice), Section 3.11 (adjournment and notice of adjournment), and Section 3.12 (action without a meeting), with such changes in the context of those by-laws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may also be called by resolution of the board of directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these by-laws.

4.4 EXECUTIVE COMMITTEE

An Executive Committee of the Board of Directors may be authorized to act on behalf of and in the name of the Board of Directors during the periods between meetings of the full Board of Directors (which actions may include, as contemplated by Section 141(c)(1) of the Delaware General Corporation Law, the authorization of the issuance of stock and the adoption of a certificate of ownership and merger pursuant to Section 253 of such law).

ARTICLE V

OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a president, a secretary, and a treasurer. The corporation may also have, at the discretion of the board of directors, a chief executive officer, a chief financial officer, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these by-laws. Any number of offices may be held by the same person. Two persons may hold the same office as co-officers if so specified by the board of directors.

5.2 ELECTION OF OFFICERS

The officers of the corporation, except such officers as may be

appointed in accordance with the provisions of Sections 5.3 or 5.5 of these by-laws, shall be chosen by the board of directors, subject to the rights, if any, of an officer under any contract of employment. An officer of the corporation elected pursuant to this Section 5.2 may also serve as an appointed officer pursuant to Section 5.3 hereof.

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5.3 SUBORDINATE APPOINTED OFFICERS

The board of directors may appoint, or empower the president to appoint, such other officers and agents as the business of the corporation may require. Each of such appointed officers shall hold office for such period, have such authority, and perform such duties as are provided in these by-laws (if any) or as the board of directors or the president, as the case may be, may from time to time determine. Such appointed officers may have titles such as vice president of the corporation or a division of the corporation or president of a division of the corporation, or similar such titles, subject to such limits in appointment power as the board may determine. An appointed officer, absent specific election by the board of directors as an elected corporate officer: (a) shall not be considered an officer elected by the board of directors pursuant to Section 5.2 of these bylaws and shall not have the executive powers or policy-making authority of officers elected by the board of directors pursuant to Section 5.2 hereof; (b) shall not be considered an "officer" within the meaning of Rule 3b-2 or Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or an "executive officer" of the corporation within the meaning of Rule 3b-7 promulgated under the Exchange Act, and such a person shall not be given the access to inside information of the corporation enjoyed by elected officers of the corporation; (c) shall not be considered an "officer" within the meaning of Section 142 of the Delaware General Corporation Law, except in any such case as is otherwise required by law; and (d) shall be empowered to represent himself or herself to third parties as an appointed officer only, and shall only be empowered to execute documents, bind the corporation or otherwise act on behalf of the corporation as authorized by the president of the corporation or by resolution of the board of directors.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board or, except in the case of an officer elected by the board of directors, by an officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice, and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation may be filled by the board of directors.

5.6 CHIEF EXECUTIVE OFFICER

The chief executive officer shall be the senior officer of the Corporation and shall, under the direction of the board of directors, have responsibility for the general direction of the business, policies and affairs of the Corporation. The chief executive officer shall see that all orders and resolutions of the board of directors are carried into effect and shall have such other duties as the board of directors shall from time to time prescribe.

5.7 PRESIDENT

Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, the president shall be the chief operating officer of the corporation and shall, subject

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to the control of the board of directors, have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the board of directors or these by-laws.

5.8 VICE PRESIDENTS

In the absence or disability of the president, the vice presidents, if any, elected pursuant to this Section 5.8 and not those appointed pursuant to Section 5.3, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. Such vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these by-laws, the chief executive officer, or the president.

5.9 SECRETARY

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall how the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors required to be given by law or by these by-laws. He or she shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these by-laws.

5.10 CHIEF FINANCIAL OFFICER

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the board of directors. He or she shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all his transactions as chief financial officer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the board of directors or the by-laws.

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5.11 AUTHORITY AND DUTIES OF OFFICERS

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors.

ARTICLE VI

INDEMNITY

6.1 THIRD PARTY ACTIONS

The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or

not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonable believed to be in or not opposed to the best interest of the corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

6.2 ACTIONS BY OR IN THE RIGHT OF THE CORPORATION

The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he or she acted in good faith and in manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

6.3 SUCCESSFUL DEFENSE

To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 6.1 and 6.2, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

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6.4 DETERMINATION OF CONDUCT

Any indemnification under Sections 6.1 and 6.2 (unless ordered by a court) shall be made by only as authorized in the specific case upon a determination that the indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Sections 6.1 and 6.2. Such determination shall be made (1) by the Board of Directors or the Executive Committee by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding or (2) or if such quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

6.5 PAYMENT OF EXPENSES IN ADVANCE

Expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation as authorized in this Article VI.

6.6 INDEMNITY NOT EXCLUSIVE

The indemnification and advancement of expenses provided or granted pursuant to the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

6.7 INSURANCE INDEMNIFICATION

The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against

such liability under the provisions of this Article VI.

6.8 THE CORPORATION

For purposes of this Article VI, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under and subject to the provisions of this Article VI (including, without limitation the provisions of Section 6.4) with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

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6.9 EMPLOYEE BENEFIT PLANS

For purposes of this Article VI, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Article VI.

6.10 CONTINUATION OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

The corporation shall, either at its principal executive office or at such place or places as designated by the board of directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these by-laws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

The officer who has charge of the stock ledger of a corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

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7.2 INSPECTION BY DIRECTORS

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 ANNUAL STATEMENT TO STOCKHOLDERS

The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

7.4 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chairman of the board, the president, any vice president, the treasurer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

ARTICLE VIII

GENERAL MATTERS

8.1 CHECKS

From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

The board of directors, except as otherwise provided in these by-laws, may authorize any officer or officers, or agent or agents to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of a corporation shall be represented by certificates, provided that the board of directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the board of directors, every holder of stock represented by certificates and upon request every

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holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the chairman or vice-chairman of the board of directors, or the president or vice-president, and by the chief financial officer or an assistant treasurer, or the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such

officer, transfer agent or registrar at the date of issue.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the corporation in the case of uncertified partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, bout only upon the basis of the percentage of the consideration actually paid thereon.

8.4 SPECIAL DESIGNATION ON CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these by-laws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term Aperson@ includes both a corporation and a natural person.

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8.7 DIVIDENDS

The directors of the corporation, subject to any restrictions contained in the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock pursuant to the General Corporation Law of Delaware. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolutions of the board of directors and may be changed by the board of directors.

8.9 SEAL

The corporation shall adopt a corporate seal, which may be altered at pleasure, and use the same by causing it or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

8.10 TRANSFER OF STOCK

Upon surrender to the corporation or the transfer agent of the

corporation of a certificate or shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.12 REGISTERED STOCKHOLDERS

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX

AMENDMENTS

The original or other by-laws of the corporation may be adopted, amended, or repealed by the stockholders entitled to vote; provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal by-laws upon the directors. The fact that such power has been so

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conferred upon the directors shall not divest the stockholders of the power, nor the limit their power to adopt, amend or repeal by-laws.

ARTICLE X

CUSTODIAN

10.1 APPOINTMENT OF A CUSTODIAN IN CERTAIN CASES

The Court of Chancery, upon application of any stockholder, may appoint one or more persons to be custodians and, if the corporation is insolvent, to be receivers, of and for the corporation when:

(i) at any meeting held for the election of directors the stockholders are so divided that they have failed to elect successors to directors whose terms have expired or would have expired upon qualification of their successors; or

(ii) the business of the corporation is suffering or is threatened with irreparable injury because the directors are so divided respecting the management of the affairs of the corporation that the required vote for action by the board of directors cannot be obtained and the stockholders are unable to terminate this division; or

(iii) the corporation has abandoned its business and has failed within a reasonable time to take steps to dissolve, liquidate or distribute its assets.

10.2 DUTIES OF CUSTODIAN

The custodian shall have all the powers and title of a receiver appointed under Section 291 of the General Corporation Law of Delaware but the authority of the custodian shall be to continue the business of the corporation and not to liquidate its affairs and distribute its assets, except when the Court of Chancery otherwise orders and except in cases arising under Sections 226(a)(3) or 352(a)(2) of the General Corporation Law of Delaware.

* * *

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EXHIBIT 10.9

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This SECOND AMENDMENT TO EMPLOYMENT AGREEMENT ("AMENDMENT"), is made and entered into as of April 21, 2003, by and between Michael W. Tryon (the "EXECUTIVE") and Metal Management, Inc., a Delaware corporation (the "COMPANY").

WHEREAS, Executive and Company are parties to that certain Employment Agreement, dated as of April 1, 2000 (the "EMPLOYMENT AGREEMENT"), pursuant to which Executive is employed as the President and Chief Operating Officer of the Company. Capitalized terms used herein, and not otherwise defined herein, shall have the meanings set forth in the Employment Agreement;

WHEREAS, the Employment Agreement was previously amended by that certain letter, dated as of June 7, 2001, from Albert A. Cozzi to Executive, pursuant to which Executive agreed to a reduction in the severance benefit payable to Executive upon his termination, other than for cause;

WHEREAS, the parties hereto have agreed to amend the Employment Agreement as set forth herein;

NOW, THEREFORE, in consideration of the premises, promises, mutual covenants and mutual agreements contained herein, the Executive and the Company hereby agree as follows:

1. AMENDMENT. Section 15 of the Employment Agreement shall be amended by deleting it in its entirety and substituting the following therefor:

15. SEVERANCE PAY.

(a) Notwithstanding any other provision of this Agreement, if the Executive's employment is (or is deemed) terminated by the Company pursuant to Section 13(a):

(i) the Company shall pay the Executive any accrued but unpaid Salary, prorated vacation, prorated cash bonus and any other amounts accrued but unpaid as of the date of termination;

(ii) the Company shall pay the Executive a lump-sum severance payment equal to the Executive's then-current Salary; and

(iii) the Company shall continue all medical, dental and life, insurance benefits at no cost to the Executive for twelve (12) months, commencing on the date of the Executive's termination of employment (and the provision by the Company of any such group health benefits shall not be considered continuation coverage pursuant to section 4980B of the Internal Revenue Code of 1986, as amended (the "Code"), and such

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continuation converge shall commence on the date that benefits provided hereunder cease).

Other than as provided herein, if the Executive's employment is terminated by the Company pursuant to Section 13(b) hereof, the Company shall pay to the Executive any accrued but unpaid Salary, prorated vacation, prorated cash bonus and any other amounts accrued but unpaid as of the date of termination. Any benefit payable pursuant to this Section 15 shall be paid to the Executive in a lump-sum within thirty (30) days after the Executive's termination of employment.

(b) In the event that the Executive becomes entitled to any severance payments as provided herein, if it is determined that any such payments will be subject to the tax or any other similar state or local excise taxes (the "Excise Tax") imposed by section 4999 of the Code (or any similar tax that may hereafter be imposed), the Company shall "gross up" such severance payments so that the amount received by the Executive after payment of such Excise Tax shall be equal to the amount to which the Executive was entitled prior to application of such Excise Tax.

2. NO OTHER CHANGES; REFERENCES. Except as expressly amended by this Amendment, all of the terms and conditions of the Employment Agreement shall remain in full force and effect. All references in the Employment Agreement to "this Agreement" shall be deemed to refer to the Employment Agreement as amended hereby.

3. GOVERNING LAW. This Amendment shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the laws of the State of Illinois without reference to the conflicts or choice of law principles thereof.

4. EXECUTION IN COUNTERPARTS. This Amendment may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

[Signatures Commence on Following Page]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

METAL MANAGEMENT, INC

By: /s/ Albert A. Cozzi

Name: Albert A. Cozzi
Title: Chief Executive Officer

By: /s/ Robert C. Larry

Name: Robert C. Larry
Title: Chief Financial Officer

EXECUTIVE

By: /s/ Michael W. Tryon

Michael W. Tryon

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EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

CIM Trucking, Inc., an Illinois corporation
Firma, Inc., a California corporation
Firma Plastic Co., Inc., a California corporation
Mac Leod Metals Co., a California corporation
Metal Management Aerospace, Inc., a Delaware corporation
Metal Management Alabama, Inc., a Delaware corporation
MTLM Arizona, Inc., an Arizona corporation
Metal Management Arizona, L.L.C., an Arizona limited liability company

Metal Management Connecticut, Inc., a Delaware corporation
Metal Management Gulf Coast, Inc., a Delaware corporation
Metal Management Indiana, Inc., a Illinois corporation
Metal Management Memphis, L.L.C., a Tennessee limited liability company
Metal Management Midwest, Inc., a Illinois corporation
Metal Management Mississippi, L.L.C., a Delaware limited liability company
Metal Management Northeast, Inc., a New Jersey corporation
Metal Management Ohio, Inc., a Ohio corporation
Metal Management S&A Holdings, Inc., a Delaware corporation
Metal Management Pittsburgh, Inc., a Delaware corporation
Metal Management Realty, Inc., an Arizona corporation
Metal Management Stainless & Alloy, Inc., a Delaware corporation
Metal Management Services, Inc., a Delaware corporation
Metal Management West, Inc., a Colorado corporation
Metal Management West Coast Holdings, Inc., a Delaware corporation
metals.com.Inc., a Delaware corporation
Proler Southwest Inc., a Texas corporation
Reserve Iron & Metal Limited Partnership, a Delaware limited partnership
Trojan Trading Co., a California corporation

Southern Recycling, L.L.C., a Louisiana limited liability company (ownership of a 28.5% interest)

Roundout Iron & Metal, L.L.C., a Delaware limited liability company (ownership of 50%)

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EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-100725) and in the Registration Statement on Form S-8 (No. 333-100726) of Metal Management, Inc. of our reports dated June 2, 2003 and June 5, 2002 relating to the Reorganized Company and Predecessor Company financial statements and financial statement schedule which appear in this Form 10-K.

PricewaterhouseCoopers LLP

Chicago, Illinois
June 2, 2003

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Annual Report on Form 10-K of Metal Management, Inc. (the "Corporation") for the year ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Vice-Chairman of the Board and Chief Executive Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the

Corporation.

/s/ Albert A. Cozzi
- ---
Albert A. Cozzi
Vice-Chairman of the Board and Chief Executive Officer
June 2, 2003

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Annual Report on Form 10-K of Metal Management, Inc. (the "Corporation") for the year ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Executive Vice President, Finance and Chief Financial Officer of the Corporation, certifies that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Robert C. Larry
- ---
Robert C. Larry
Executive Vice President, Finance and Chief Financial Officer
June 2, 2003

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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-----END PRIVACY-ENHANCED MESSAGE-----