

OLYMPIC STEEL INC
Form 10-Q
May 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2018

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

For the transition period from _____ to _____

Commission File Number 0-23320

OLYMPIC STEEL, INC.

(Exact name of registrant as specified in its charter)

Ohio 34-1245650
(State or other jurisdiction of (I.R.S.Employer
incorporation or organization) Identification Number)

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22901 Millcreek Boulevard, Suite 650, Highland Hills, OH 44122
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (216) 292-3800

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 whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes (X) No ()

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer" "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer () Accelerated filer (X)
Non-accelerated filer () Smaller reporting company ()
(Do not check if a smaller reporting company) Emerging growth company ()

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ()

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

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

Class	Outstanding as of May 3, 2018
Common stock, without par value	10,998,480



Olympic Steel, Inc.

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Part I. FINANCIAL INFORMATION**Item 1. Financial Statements****Olympic Steel, Inc.****Consolidated Balance Sheets**

(in thousands)

	As of	
	March	December
	31, 2018	31, 2017
	(unaudited)	
Assets		
Cash and cash equivalents	\$3,412	\$3,009
Accounts receivable, net	174,813	132,737
Inventories, net (includes LIFO debit of \$4,837 and \$5,337 as of March 31, 2018 and December 31, 2017, respectively)	319,024	275,307
Prepaid expenses and other	5,698	8,333
Assets held for sale	750	750
Total current assets	503,697	420,136
Property and equipment, at cost	384,218	376,710
Accumulated depreciation	(232,908)	(229,062)
Net property and equipment	151,310	147,648
Intangible assets, net	22,758	22,980
Other long-term assets	13,114	13,394
Total assets	\$690,879	\$604,158
Liabilities		
Current portion of long-term debt	\$-	\$930
Accounts payable	112,518	84,034
Accrued payroll	9,782	11,999
Other accrued liabilities	14,567	14,184
Total current liabilities	136,867	111,147
Credit facility revolver	248,955	196,235
Other long-term liabilities	11,215	12,048
Deferred income taxes	12,827	12,145
Total liabilities	409,864	331,575
Shareholders' Equity		
Preferred stock	-	-

Common stock	130,379	129,453
Treasury stock	(239)	(337)
Retained earnings	150,875	143,467
Total shareholders' equity	281,015	272,583
Total liabilities and shareholders' equity	\$690,879	\$604,158

The accompanying notes are an integral part of these consolidated statements.

Olympic Steel, Inc.**Consolidated Statements of Comprehensive Income****For the Three Months Ended March 31,**

(in thousands, except per share data)

	2018	2017
	(unaudited)	
Net sales	\$ 375,598	\$ 334,893
Costs and expenses		
Cost of materials sold (excludes items shown separately below)	294,777	258,454
Warehouse and processing	23,436	23,501
Administrative and general	18,872	18,165
Distribution	12,139	10,365
Selling	7,228	6,511
Occupancy	2,555	2,310
Depreciation	4,024	4,314
Amortization	222	222
Total costs and expenses	363,253	323,842
Operating income	12,345	11,051
Other loss, net	46	26
Income before interest and income taxes	12,299	11,025
Interest and other expense on debt	1,986	1,626
Income before income taxes	10,313	9,399
Income tax provision	2,684	1,700
Net income and total comprehensive income	\$ 7,629	\$ 7,699
Earnings per share:		
Net income per share - basic	\$ 0.67	\$ 0.68
Weighted average shares outstanding - basic	11,418	11,369
Net income per share - diluted	\$ 0.67	\$ 0.68
Weighted average shares outstanding - diluted	11,418	11,369
Dividends declared per share of common stock	\$ 0.02	\$ 0.02

The accompanying notes are an integral part of these consolidated statements.

Olympic Steel, Inc.**Consolidated Statements of Cash Flows****For the Three Months Ended March 31,**

(in thousands)

	2018	2017
	(unaudited)	
Cash flows from (used for) operating activities:		
Net income	\$7,629	\$7,699
Adjustments to reconcile net income to net cash from (used for) operating activities -		
Depreciation and amortization	4,357	4,766
Loss on disposition of property and equipment	7	7
Stock-based compensation	1,024	656
Other long-term assets	207	(335)
Other long-term liabilities	(151)	(1,406)
	13,073	11,387
Changes in working capital:		
Accounts receivable	(42,076)	(38,379)
Inventories	(43,717)	(8,664)
Prepaid expenses and other	2,616	2,075
Accounts payable	34,029	6,771
Change in outstanding checks	(5,545)	982
Accrued payroll and other accrued liabilities	(1,835)	136
	(56,528)	(37,079)
Net cash used for operating activities	(43,455)	(25,692)
Cash flows from (used for) investing activities:		
Capital expenditures	(7,743)	(2,066)
Proceeds from disposition of property and equipment	50	84
Net cash used for investing activities	(7,693)	(1,982)
Cash flows from (used for) financing activities:		
Credit facility revolver borrowings	129,549	105,463
Credit facility revolver repayments	(76,829)	(77,091)
Industrial revenue bond repayments	(930)	-
Credit facility fees and expenses	(19)	-
Proceeds from exercise of stock options (including tax benefit)	-	10
Dividends paid	(220)	(219)
Net cash from financing activities	51,551	28,163
Cash and cash equivalents:		
Net change	403	489

Beginning balance	3,009	2,315
Ending balance	\$3,412	\$2,804

The accompanying notes are an integral part of these consolidated statements.

Olympic Steel, Inc.

Supplemental Disclosures of Cash Flow Information

For the Three Months Ended March 31,

(in thousands)

	2018	2017
	(unaudited)	
Interest paid	\$1,841	\$1,365
Income taxes paid	\$52	\$26

The accompanying notes are an integral part of these consolidated statements.

Olympic Steel, Inc.

Notes to Unaudited Consolidated Financial Statements

March 31, 2018

1. Basis of Presentation:

The accompanying consolidated financial statements have been prepared from the financial records of Olympic Steel, Inc. and its wholly-owned subsidiaries (collectively, Olympic or the Company), without audit and reflect all normal and recurring adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods covered by this report. Year-to-date results are *not* necessarily indicative of 2018 annual results and these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended *December 31, 2017*. All intercompany transactions and balances have been eliminated in consolidation.

The Company operates in *three* reportable segments; carbon flat products, specialty metals flat products, and tubular and pipe products. The carbon flat products segment and the specialty metals flat products segments are at times consolidated and referred to as the flat products segments. Certain of the flat products segments' assets and resources are shared by the carbon and specialty metals segments and both segments' products are stored in the shared facilities and, in some locations, processed on shared equipment. Due to the shared assets and resources, certain of the flat products segment expenses are allocated between the carbon flat products segment and the specialty metals flat products segment based upon an established allocation methodology. Through its carbon flat products segment, the Company sells and distributes large volumes of processed carbon and coated flat-rolled sheet, coil and plate products, and fabricated parts. Through its specialty metals flat products segment, the Company sells and distributes processed aluminum and stainless flat-rolled sheet and coil products, flat bar products and fabricated parts. Through its tubular and pipe products segment, which consists of the Chicago Tube and Iron subsidiary (CTI), the Company distributes metal tubing, pipe, bar, valves and fittings and fabricate pressure parts supplied to various industrial markets.

Corporate expenses are reported as a separate line item for segment reporting purposes. Corporate expenses include the unallocated expenses related to managing the entire Company (i.e., all *three* segments), including payroll expenses for certain personnel, expenses related to being a publicly traded entity such as board of directors' expenses, audit expenses, and various other professional fees.

Impact of Recently Issued Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No 2017-12, “Derivatives and Hedging”. This ASU aligns an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the ASU expands and refines hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. This ASU also makes certain targeted improvements to simplify the application of hedge accounting guidance and ease the administrative burden of hedge documentation requirements and assessing hedge effectiveness. This ASU is the final version of proposed ASU 2016-310, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities”, which has been deleted. For public business entities, this ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted in any interim period after issuance of the ASU. All transition requirements and elections should be applied to hedging relationships existing (that is, hedging relationships in which the hedging instrument has *not* expired, been sold, terminated, or exercised or the entity has *not* removed the designation of the hedging relationship) on the date of adoption. The effect of adoption should be reflected as of the beginning of the fiscal year of adoption. The adoption of this ASU is *not* expected to materially impact the Company’s consolidated financial statements.

In May 2017, the FASB issued ASU No 2017-09, “Compensation – Stock Compensation (Topic 718)”. This ASU provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation – Stock Compensation, to a change to the terms or conditions of a share-based payment award. The ASU provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This ASU is the final version of proposed ASU 2016-360, “Compensation—Stock Compensation (Topic 718)—Scope of Modification Accounting,” which has been deleted. The amendments in this ASU are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. The adoption of this ASU did *not* materially impact the Company’s consolidated financial statements.

In August 2016, the FASB issued ASU No 2016-15, "Classification of certain cash receipts and cash payments". This ASU addresses the following *eight* specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of *zero*-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The guidance will be effective for annual reporting periods beginning after *December 15, 2017*, and interim periods within those fiscal years with early adoption permitted. The adoption of this ASU did *not* materially impact the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases," which specifies the accounting for leases. The objective is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. This ASU introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The guidance will be effective for annual reporting periods beginning after *December 15, 2018* and interim periods within those fiscal years with early adoption permitted. The Company is in the process of evaluating the impact of the future adoption of this standard on the Company's consolidated financial statements.

In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which deferred the effective date of ASU 2014-09 for all entities by one year. This update is effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods. Earlier application was permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. ASU 2014-09 was to become effective for us beginning January 2017; however, ASU 2015-14 deferred our effective date until January 2018, which is when we adopted this standard. The ASU permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required for customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The Company completed the process of evaluating the effect of the adoption and determined there were no material changes required to the reported revenues as a result of the adoption. Substantially all of the revenue arrangements consist of a single performance obligation to transfer goods. Based on the evaluation process and review of the contracts with customers, the timing and amount of revenue recognized based on ASU 2015-14 is consistent with the revenue recognition policy under previous guidance. The adoption of this ASU on January 1, 2018 using the modified retrospective approach applied to those contracts which were not completed as of January 1, 2018 did not have a material impact on the Company's consolidated financial statements. Comparative information has not been restated and continues to be reported under the accounting standard in effect for those periods. The impact of adopting ASU 606 was not material to the Company's consolidated financial statements as of and for the three months ended March 31, 2018. See note 2.

2. Revenue Recognition:

The Company provides metals processing, distribution and delivery of large volumes of processed carbon, coated flat rolled sheet, coil and plate products, aluminum, and stainless flat rolled products, flat bar products, metal tubing, pipe, bar, valves, fittings, and fabricated parts. The Company's contracts with customers are comprised of purchase orders with standard terms and conditions. Occasionally the Company may also have long-term agreements with customers. Substantially all of the contracts with customers require the delivery of metals which represent single performance obligations that are satisfied upon transfer of control of the product to the customer.

Transfer of control is assessed based on the use of the product distributed and rights to payment for performance under the contract terms. Transfer of control and revenue recognition for substantially all of the Company's sales occur upon shipment or delivery of the product, which is when title, ownership and risk of loss pass to the customer and is based on the applicable shipping terms. The shipping terms depend on the customer contract. An invoice for payment is issued at time of shipment and terms are generally net 30 days. The Company has certain fabrication contracts in *one* business unit for which revenue is recognized over time as performance obligations are achieved. This fabrication business is *not* material to the Company's consolidated results.

Within the metals industry, revenue is frequently disaggregated by products sold. The table below disaggregates the Company's revenues by segment and products sold.

**Disaggregated Revenue by Products Sold
For the Three Months Ended March 31, 2018**

	Carbon flat products	Specialty metals flat products	Tubular and pipe products	Total
Hot Rolled	36.6%	0.0%	0.0%	36.6%
Plate	12.5%	0.0%	0.0%	12.5%
Cold Rolled	5.2%	0.0%	0.0%	5.2%
Coated	8.2%	0.0%	0.0%	8.2%
Specialty	0.0%	17.4%	0.0%	17.4%
Tube	0.0%	0.0%	18.4%	18.4%
Other	1.7%	0.0%	0.0%	1.7%
Total	64.2%	17.4%	18.4%	100.0%

3. Accounts Receivable:

Accounts receivable are presented net of allowances for doubtful accounts and unissued credits of \$3.1 million and \$2.8 million as of *March 31, 2018* and *December 31, 2017*, respectively. The allowance for doubtful accounts is maintained at a level considered appropriate based on historical experience and specific customer collection issues that have been identified. Estimations are based upon a calculated percentage of accounts receivable, which remains fairly level from year to year, and judgments about the probable effects of economic conditions on certain customers, which can fluctuate significantly from year to year. The Company cannot guarantee that the rate of future credit losses will be similar to past experience. The Company considers all available information when assessing the adequacy of its allowance for doubtful accounts and unissued credits each quarter.

4. Inventories:

Inventories consisted of the following:

(in thousands)	Inventory as of	
	March 31, 2018	December 31, 2017
Unprocessed	\$264,837	\$225,187
Processed and finished	54,187	50,120
Totals	\$319,024	\$275,307

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The Company values certain of its tubular and pipe products inventory at the last-in, *first*-out (LIFO) method. At *March 31, 2018* and *December 31, 2017*, approximately \$51.1 million, or 16.0% of consolidated inventory, and \$48.1 million, or 17.5% of consolidated inventory, respectively, was reported under the LIFO method of accounting. The cost of the remainder of the tubular and pipe products inventory is determined using a weighted average rolling *first-in, first-out* (FIFO) method.

During the *three* months ended *March 31, 2018*, the Company recorded \$0.5 million of LIFO expense as the current projections anticipate increased pricing and volume of LIFO inventory for the remainder of the year. During the *three* months ended *March 31, 2017*, the Company recorded \$0.4 million of LIFO expense.

If the FIFO method had been in use, inventories would have been \$4.8 million and \$5.3 million lower than reported at *March 31, 2018* and *December 31, 2017*, respectively.

5. Debt:

The Company's debt is comprised of the following components:

	As of	
	March	December
	31,	31,
	2018	2017
(in thousands)		
Asset-based revolving credit facility due December 8, 2022	\$248,955	\$196,235
Industrial revenue bond due April 1, 2018	-	930
Total debt	248,955	197,165
Less current amount	-	(930)
Total long-term debt	\$248,955	\$196,235

The Company's asset-based credit facility (the ABL Credit Facility) is collateralized by the Company's accounts receivable inventory and personal property. The ABL Credit Facility consists of (i) a revolving credit facility of \$370 million, including a \$20 million sub-limit for letters of credit and (ii) a *first* in, last out revolving credit facility of up to \$30 million. Under the terms of the ABL Credit Facility, the Company *may* request additional commitments in the aggregate principal amount of up to \$200 million to the extent that existing or new lenders agree to provide such additional commitments. Revolver borrowings are limited to the lesser of a borrowing base, comprised of eligible receivables and inventories, or \$400 million in the aggregate. The ABL Credit Facility matures on *December 8, 2022*.

The ABL Credit Facility contains customary representations and warranties and certain covenants that limit the ability of the Company to, among other things: (i) incur or guarantee additional indebtedness (ii) pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt (iii) make investments (iv) sell assets (v) enter into agreements that restrict distributions or other payments from restricted subsidiaries to the Company (vi) incur liens securing indebtedness (vii) consolidate, merge or transfer all or substantially all of their assets and (viii) engage in transactions with affiliates. In addition, the ABL Credit Facility contains a financial covenant which requires (i) if any commitments or obligations are outstanding and the Company's availability is less than the greater of \$30 million or 10.0% of the aggregate amount of revolver commitments (\$40.0 million at *March 31, 2018*) or 10.0% of the aggregate borrowing base (\$40.0 million at *March 31, 2018*) then the Company must maintain a ratio of Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.00 to 1.00 for the most recent *twelve* fiscal month period.

The Company has the option to borrow under its revolver based on the agent's base rate plus a premium ranging from 0.00% to 0.25% or the London Interbank Offered Rate (LIBOR) plus a premium ranging from 1.25% to 2.75%.

As of *March 31, 2018*, the Company was in compliance with its covenants and had approximately \$148 million of availability under the ABL Credit Facility.

As of *March 31, 2018*, \$1.8 million of bank financing fees were included in "Prepaid expenses and other" and "Other long-term assets" on the accompanying Consolidated Balance Sheets. The financing fees are being amortized over the *five-year* term of the ABL Credit Facility and are included in "Interest and other expense on debt" on the accompanying Consolidated Statements of Comprehensive Income.

As part of the CTI acquisition in *July 2011*, the Company assumed approximately \$5.9 million of Industrial Revenue Bond (IRB) indebtedness. On *March 1, 2018*, the Company made the final \$0.9 million payment on the IRB and the letter of credit and fixed interest rate swap associated with the IRB were terminated.

6. Derivative Instruments:

Metals swaps and embedded customer derivatives

During *2018* and *2017*, the Company entered into nickel swaps indexed to the London Metal Exchange (LME) price of nickel with *third-party* brokers. The nickel swaps are accounted for as derivatives for accounting purposes. The Company entered into them to mitigate its customers' risk of volatility in the price of metals. The outstanding nickel swaps mature in *2018*. The swaps are settled with the brokers at maturity. The economic benefit or loss arising from the changes in fair value of the swaps is contractually passed through to the customer. The primary risk associated with the metals swaps is the ability of customers or *third-party* brokers to honor their agreements with the Company related to derivative instruments. If the customer or *third-party* brokers are unable to honor their agreements, the Company's risk of loss is the fair value of the metals swaps.

These derivatives have *not* been designated as hedging instruments. The periodic changes in fair value of the metals and embedded customer derivative instruments are included in "Cost of materials sold" in the Consolidated Statements of Comprehensive Income. The Company recognizes derivative positions with both the customer and the *third party* for the derivatives and classifies cash settlement amounts associated with them as part of "Cost of materials sold" in the Consolidated Statements of Comprehensive Income. The cumulative change in fair value of the metals swaps that have *not* yet been settled are included in "Accounts receivable," and the embedded customer derivatives are included in "Other accrued liabilities" on the Consolidated Balance Sheets at *March 31, 2018* and *December 31, 2017*.

Interest rate swap

CTI entered into an interest rate swap to reduce the impact of changes in interest rates on its IRB. The swap agreement was terminated in *March 2018* upon repayment of the IRB. The periodic changes in fair value of the interest rate swap and cash settlement amounts associated with the interest rate swap are included in "Interest and other expense on debt" in the Consolidated Statements of Comprehensive Income.

There was *no* net impact from the nickel swaps or embedded customer derivative agreements to the Company's Consolidated Statements of Comprehensive Income for the *three* months ended *March 31, 2018* and *2017*. The table below shows the total impact to the Company's Consolidated Statements of Comprehensive Income through net income of the derivatives for the *three* months ended *March 31, 2018* and *2017*.

	Net Gain (Loss) Recognized For the Three Months Ended March 31, 2018 2017	
(in thousands)		
Interest rate swap (CTI)	\$(5)	\$(13)
Metals swaps	106	14
Embedded customer derivatives	(106)	(14)
Total loss	\$(5)	\$(13)

7. Fair Value of Financial Instruments:

During the *three* months ended *March 31, 2018*, there were *no* transfers of financial assets between Levels *1, 2* or *3* fair value measurements. There have been *no* changes in the methodologies used at *March 31, 2018* since *December 31, 2017*. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value as of *March 31, 2018* and *December 31, 2017*:

Metals swaps and embedded customer derivatives – Determined by using Level 2 inputs that include the price of nickel indexed to the LME. The fair value is determined based on quoted market prices and reflects the estimated amounts the Company would pay or receive to terminate the nickel swaps.

Interest rate swaps – Based on the present value of the expected future cash flows, considering the risks involved, and using discount rates appropriate for the maturity date. Market observable Level 2 inputs are used to determine the present value of future cash flows.

The following table presents information about the Company’s assets and liabilities that were measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Company:

(in thousands)	Value of Items Recorded at Fair Value As of March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Metal swaps	\$-	\$278	\$ -	\$278
Total assets at fair value	\$-	\$278	\$ -	\$278
Liabilities:				
Embedded customer derivative	\$-	\$278	\$ -	\$278
Total liabilities recorded at fair value	\$-	\$278	\$ -	\$278

(in thousands)	Value of Items Not Recorded at Fair Value As of March 31, 2018			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Revolver	-	248,955	-	248,955
Total liabilities not recorded at fair value	\$-	\$248,955	\$ -	\$248,955

The value of the items *not* recorded at fair value represent the carrying value of the liabilities.

(in thousands)	Value of Items Recorded at Fair Value As of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				

Metals swaps	\$-	\$ 382	\$ -	\$ 382
Total assets at fair value	\$-	\$ 382	\$ -	\$ 382

Liabilities:

Embedded customer derivatives	\$-	\$ 382	\$ -	\$ 382
Interest rate swap (CTI)	-	5	-	5
Total liabilities recorded at fair value	\$-	\$ 387	\$ -	\$ 387

**Value of Items Not Recorded at
Fair Value**

As of December 31, 2017

(in thousands)	Level 1	Level 2	Level 3	Total
Liabilities:				
IRB	\$930	\$-	\$ -	\$930
Revolver	-	196,235	-	196,235
Total liabilities not recorded at fair value	\$930	\$196,235	\$ -	\$197,165

The value of the items *not* recorded at fair value represent the carrying value of the liabilities.

The fair value of the IRB was determined using Level 1 inputs. The carrying value and the fair value of the IRB that qualified as financial instruments were \$0.9 million at *December 31, 2017*.

The fair value of the revolver is determined using Level 2 inputs. The Level 2 fair value of the Company's long-term debt was estimated using prevailing market interest rates on debt with similar credit worthiness, terms and maturities.

8. Equity Plans:

Restricted Stock Units and Performance Share Units

Pursuant to the Amended and Restated Olympic Steel 2007 Omnibus Incentive Plan (the Plan), the Company *may* grant stock options, stock appreciation rights, restricted shares, restricted share units, performance shares, and other stock- and cash-based awards to employees and Directors of, and co