MOVING METAL

75 YEARS OF RELIANCE STEEL & ALUMINUM CO.

JAMES P. RIFE

LOS ANGELES, CA

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Los Angeles, CA
Rife, James P.

Moving Metal: 75 Years of Reliance Steel & Aluminum Co.

Library of Congress Control Number: 2014931895

ISBN: 9780982797754

FOREWORD

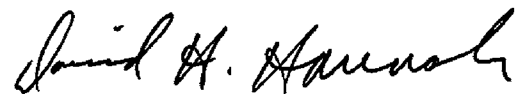
OUR HISTORY TELLS THE STORY OF OUR FUTURE

When the idea for an anniversary coffee table book was introduced, my first reaction was, "Seems kind of neat. Sure, let's do it."

For my part, I sifted through 30 years' worth of material in various corners of my office, was interviewed about my time at Reliance, and got to see many familiar faces come in to the office for their interviews. It was quite a trip down Memory Lane. Then all the articles, pictures, and memories were woven together into the hefty volume you are reading. Reliance has got quite a story here, and I think it's one we can all be proud of.

As we look back, we do hope that Bill Gimbel and the folks up there are smiling down on us. For Bill especially, it was like a roll of the dice taking on such a group; we were young, somewhat new to the industry, but ambitious nonetheless. Hopefully he and the others are proud and think we have done some good things. In reading about Reliance's first 75 years, I hope you realize that the heart of our company is our people—not just executives and managers, but the thousands of men and women within our Family of Companies—on warehouse floors, in offices, and on the road across the country and around the world. They have the skills, knowledge, experience, and drive to make Reliance a better company every day and I thank them for their commitment and dedication.

We pause to celebrate this important milestone, and at the same time we are steadily poised for the future. As we continue to learn and grow, I know that our family will continue to do good things as we collectively strive towards the ambitious, ongoing, and rewarding goal of making Reliance a company that truly stands the test of time.



David H. Hannah
Chairman of the Board & Chief Executive Officer

A happy employee, the best guarantee of a job well-done at the Vernon plant in 1950.

1 FOUNDATION OF STEEL

1939-1959

In February 1939, an entrepreneur of Irish descent named Thomas James Neilan decided to go into the steel business. Neilan believed that he could succeed even though times were tough in Los Angeles just then. Like the rest of America, the city had weathered ten long, grinding years of the Great Depression, which had left tens of thousands of its residents unemployed and a multitude of local businesses struggling to survive.

During the 1930s, thousands of Americans headed west seeking work and a better life, but California's businesses were also struggling.

The city's population of 1.5 million people was increasing rapidly as refugees from droughts and dust storms, mortgage foreclosures, and factory shutdowns fled to the West. The situation was so dire that Los Angeles Police Chief James Edgar "Two-Gun" Davis had dispatched officers to man a "bum blockade" of the state borders, forcibly turning back migrants seeking a better life in the "City of Angels." The plight of these desperate, homeless "Okies" was becoming a national embarrassment, thanks to California author John Steinbeck, whose Pulitzer Prize-winning novel, *The Grapes of Wrath*, was published that year.

Included among the local enterprises reeling from the Depression were the Los Angeles metals service center companies. The city's mild climate, emerging industries, and deep water port rendered it ripe for a building boom, but a frustrating lack of capital, chronically fluctuating prices, and distant sources of supply hampered the many companies that sold steel sheet, plate, and structural components for

THE "BAY OF SMOKES" AND THE SMOKESTACK TOWN

Juan Rodríguez Cabrillo first arrived at the site of Los Angeles in 1542. He dubbed it the "Bay of Smokes" and claimed its desolate tidal flats for the King of Spain. In 1781, a group of forty-four settlers established a town and named it after the Virgin Mary: "El Pueblo de Nuestra Señora la Reina de Los Angeles de Porciuncula"—The Town of Our Lady the Queen of Angels. When California gained its independence from Spain in 1821 and became a part of Mexico, Los Angeles was a regional capital. California then became a U.S. territory in 1848 following the Mexican War, and was granted statehood in 1850.

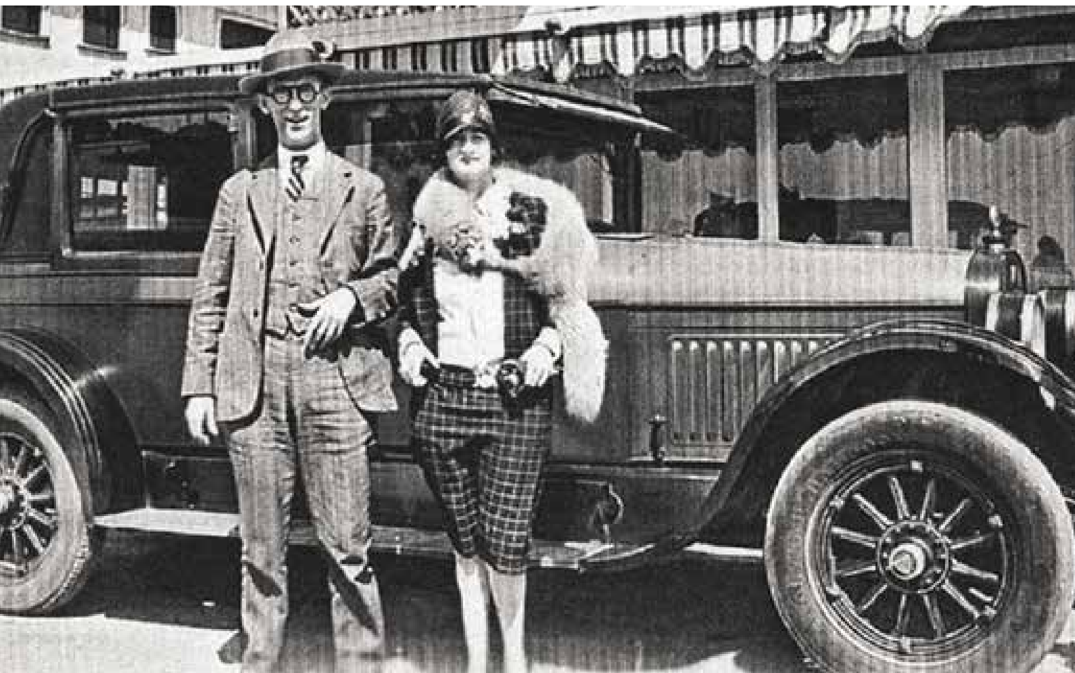
Los Angeles remained an agricultural town even after the arrival of the Southern Pacific Railroad in 1876; it was the discovery of oil in 1892 that sparked the city's transformation into a West Coast industrial center. The emergence of the motion picture industry brought wealth and fame to Los Angeles. In 1907 the Port of Los Angeles opened, and within 15 years it had surpassed San Francisco as the West Coast's busiest port, ranking second only to New York in foreign export tonnage.

Four miles south of downtown Los Angeles is the community of Vernon, where Thomas Neilan first established Reliance. Vernon was founded in 1905 by ranchers James and Thomas Furlong and merchant John B. Leonis to take advantage of nearby railroad lines. The founders named it after the single dirt road—Vernon Avenue—that ran through the area. Before emerging as the industrial hub it is today, Vernon was a "sporting town" that included a baseball stadium, a boxing arena, and the "world's longest bar"—100 feet long with thirty-seven bartenders—among its attractions. Several eastern industrialists opened plants in Vernon during the early 20th century. By the late 1930s, it was a smokestack town with steel, aluminum, glass, tin cans, and automobiles being produced there. Two stockyards, twenty-seven slaughterhouses, and several meatpacking facilities were also in operation, despite the Depression. By 1939, Vernon was at the industrial heart of the greater Los Angeles area and a good place for Neilan to establish his new rebar and steel products business.

construction, especially reinforcing bars, or "rebar." Many of these companies were "mom and pop" outfits operating at tight profit margins, ill-matched with corporate giants like U.S. Steel, which produced the metal itself in its great eastern mills. Not surprisingly, the failure rate was particularly high for companies in the metals service sector.

LUCK OF THE IRISH

Out of failure often comes opportunity in the hands of the right entrepreneur, particularly one with plenty of business acumen and more than a little luck. Thomas Neilan was such a man. Born on May 26, 1887, to poor Irish immigrants Martin and Mary Neilan, Thomas had risen from humble beginnings in San Francisco's Irish Alley, working first as an office clerk and then a traveling salesman. Tall and slender with a high forehead, he had hazel eyes framed by thick glasses; the U.S. government had accordingly declared him physically unfit for military service during World War I due to poor eyesight. His wife Mae was twelve years his junior.



Newlyweds Tom and Mae Neilan in the 1920s.

By the 1920s, Neilan was the California sales representative for Powell Valve Company, selling valves, pressure regulators, and other equipment used in the state's burgeoning oil industry. He was good at his job because he satisfied his customers and was always ready with a joke. "He could talk to anybody," one acquaintance recalled. "He could talk to the homeless as well as the president of the United States and he was a straight shooter. As such, he was well respected." Powell Valve was headquartered in Cincinnati, Ohio. Inevitably, Neilan became convinced that if he could manufacture products in the West and cut transportation costs, he could pass on savings to his customers and keep some for himself. Ambitious by nature, he announced to his family, "Damn it, I want to start something here."

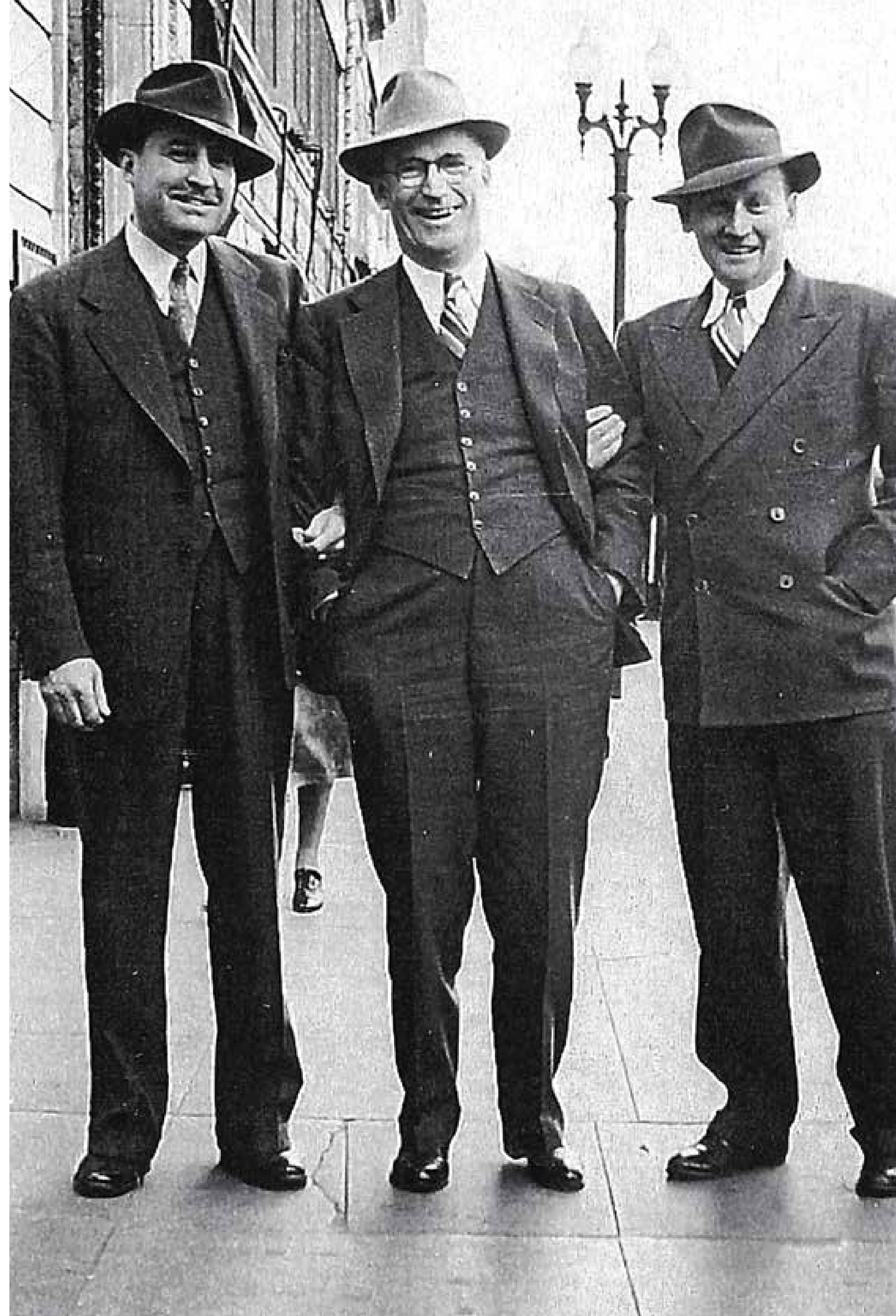
Many details of Neilan's early business career are lost, but it is evident that he got around and knew how to seize an opportunity. By 1922, while still working for Powell, Neilan was promoting his own new product—a "packer and air lift" for use in oil well pumps. By the following March, he had established the Neilan Corporation, based in Houston, Texas, to manufacture it. Within a few years, the firm had moved to California and gone into the production of regulators as well as other fluid valves outfitted for pumps and engines employed in industries beyond the oil fields. In 1929, Neilan Corporation was purchased by a Boston-based firm called the Mason Regulator Company. The timing of the buyout was fortuitous—the transaction was completed before the stock market crash and the onset of the Depression. This left Neilan

a wealthy man at a time when the country was entering its darkest days economically. Neilan stayed on to operate his former company as a subsidiary for two years. In 1931, the Mason-Neilan Regulator Company was formed, and became a powerhouse in the industry nationwide.

As the Depression gripped America, Neilan carefully invested in a number of enterprises, joining other petroleum industry veterans to form the oil well supply firm Tunnell, Wood & Neilan in 1937. Meanwhile he also bought small properties and warehouses in the San Francisco and Los Angeles areas, which he then leased to other businesses, claiming their assets and inventories as security in the event of default. To manage his somewhat complicated holdings, Neilan created N.J. Thomas & Company, its name a shuffled version of his own.

Then, in 1938, Neilan was importuned by an old Irish Alley friend who owned Pacific States Steel, a mill in nearby Union City. "Tom, I need some money," his friend said. "The banks won't lend me anything. I can pay you back in six months." Neilan agreed to help, but his friend disappointed him. Six months passed and Neilan did not receive a dime. To settle the debt, his friend offered to supply him with rebar instead. Neilan knew nothing of the industry, but he figured that he should be able to recoup his debt and then quickly exit the business. "If I'm going to get any money back, it's going to have to be out of steel," he concluded. Jumping into the volatile metals business truly was a daunting prospect, but Neilan sensed that big economic changes were on the horizon and that an opportunity for profit might present itself very shortly.

By then the world was on the brink of World War II, with a resurgent Nazi Germany eyeing Europe and Imperial Japan



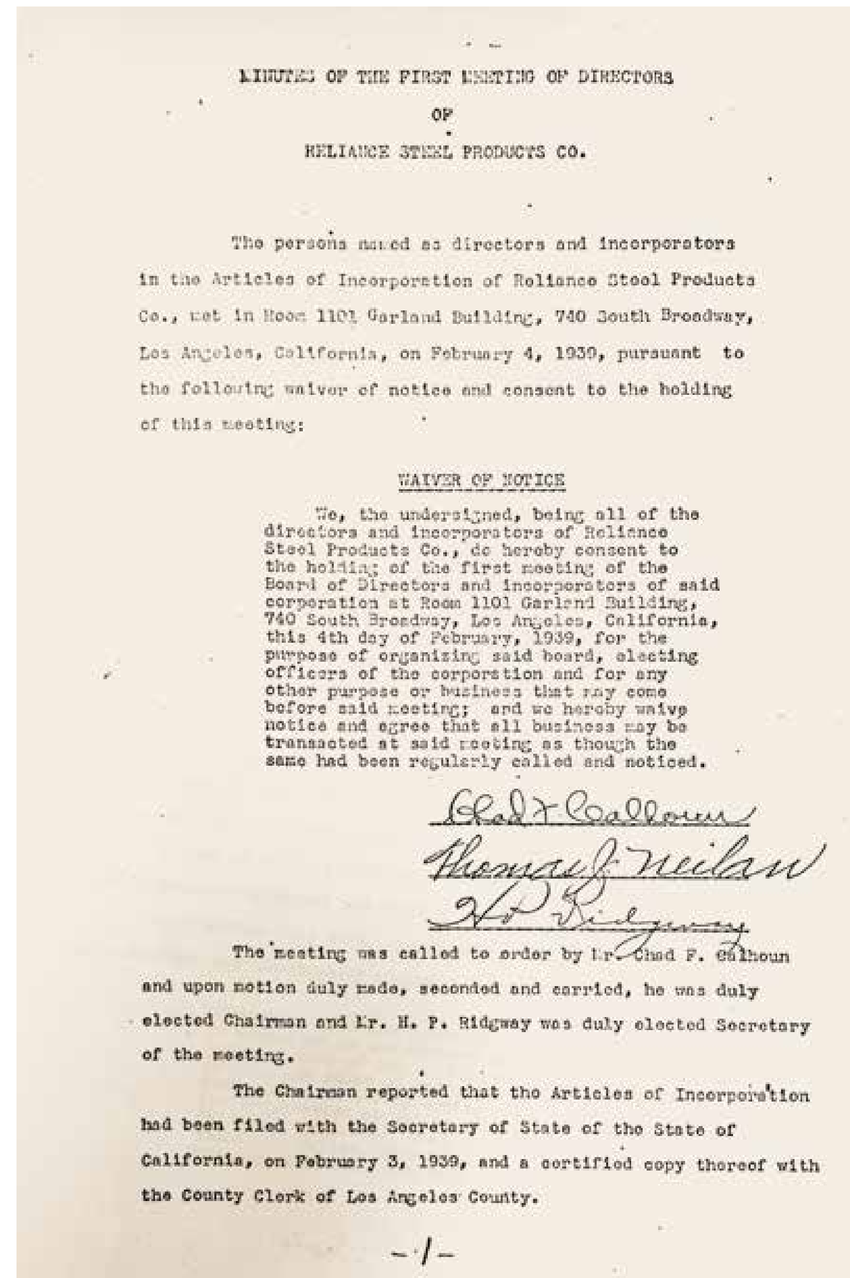
Tom Neilan was personable, always ready with a joke, and easily formed many friendships—which often became business alliances. He is pictured, center, in March 1940.

already conquering the Far East. The U.S. government was growing uneasy, and on October 26, 1938, President Franklin D. Roosevelt had declared on national radio, "We must be prepared to meet with success any application of force against us." Neilan understood that rearmament would entail large-scale expansion of the nation's military and a likely rejuvenation of the construction business, particularly in California, which would be strategically important in the event of a war in the Pacific. If he was right, steel products would soon be in high demand—and Neilan soon found reason to view his "temporary" venture as a more lasting commitment.

STARTING OUT IN WARTIME

On February 3, 1939, Neilan incorporated Reliance Steel Products Co. A tenant was already selling steel products from a warehouse Neilan owned in the San Francisco Bay area. Opting not to compete, Neilan decided to incorporate the new company in Los Angeles. He rented 6,600 square feet of space in a warehouse just outside of the city limits at the northeast corner of East 37th Street and Ross Avenue in Vernon, California. Neilan was not planning to use all of the space, so he subleased some of it temporarily to the Seaboard Transportation Company.

Since Neilan had no interest in running the company's day-to-day operations, he arranged for a business associate, civil engineer Charles "Chad" Calhoun, to become Reliance's President. Neilan became Vice President, colleague Harold P. Ridgway became Secretary-Treasurer, and local attorney Bernard Hiemenz agreed to serve as outside counsel. In early February, Reliance formalized its agreement with Pacific States Steel to keep the supply



MINUTES OF THE FIRST MEETING OF DIRECTORS

OF

RELIANCE STEEL PRODUCTS CO.

The persons named as directors and incorporators in the Articles of Incorporation of Reliance Steel Products Co., met in Room 1101 Garland Building, 740 South Broadway, Los Angeles, California, on February 4, 1939, pursuant to the following waiver of notice and consent to the holding of this meeting:

WAIVER OF NOTICE

We, the undersigned, being all of the directors and incorporators of Reliance Steel Products Co., do hereby consent to the holding of the first meeting of the Board of Directors and incorporators of said corporation at Room 1101 Garland Building, 740 South Broadway, Los Angeles, California, this 4th day of February, 1939, for the purpose of organizing said board, electing officers of the corporation and for any other purpose or business that may come before said meeting; and we hereby waive notice and agree that all business may be transacted at said meeting as though the same had been regularly called and noticed.

Chad F. Calhoun
Thomas J. Neilan
H. P. Ridgway

The meeting was called to order by Mr. Chad F. Calhoun and upon motion duly made, seconded and carried, he was duly elected Chairman and Mr. H. P. Ridgway was duly elected Secretary of the meeting.

The Chairman reported that the Articles of Incorporation had been filed with the Secretary of State of the State of California, on February 3, 1939, and a certified copy thereof with the County Clerk of Los Angeles County.

-1-

At the first meeting of the Reliance Board of Directors on February 4, 1939, Chad Calhoun was President and Harold Ridgway was Secretary-Treasurer. Both would soon be gone—it was Tom Neilan's enterprise from the start.

moving as the business grew. With a $50,000 line of credit secured from Farmers & Merchants National Bank and its first supplier in place, Reliance Steel Products Co. was in business.

Neilan's luck was holding, for this was indeed a good time to begin a new venture. Even before World War II broke out in Europe in September 1939, the U.S. government had begun to mobilize for defense, financing major military and industrial construction projects throughout the Los Angeles area. By the end of the year Reliance had sold some 1,600 tons of steel rebar and was poised to sell even more in its second year as the defense build-up escalated.

The management of the company was not as stable as its business, however. Chad Calhoun was not at the March 12, 1940, Board of Directors meeting—he had already submitted his resignation. That day Tom Neilan became Reliance Steel Products Co.'s second President. He selected another business associate, 37-year-old Charles "Jack" Roe, to be the new Vice President. Roe had first come to California in the 1920s as a purchasing agent for oil companies drilling and pumping in the state. It was in this capacity that he first met Neilan and quickly became his right hand man. The grounds for Calhoun's move are not known, but the differences do not appear to have been minor; one document referred only to "certain controversies with Chad F. Calhoun." It took most of the year to settle matters, but by October, Calhoun had agreed to sell his 350 shares back to Reliance for $7,000. Harold Ridgway and Jack Roe promptly purchased them—187.5 shares each—and Roe replaced Calhoun on the Board of Directors.

Over the next year, Reliance's business continued to grow modestly, but the Japanese attack on Pearl Harbor on December 7, 1941, changed everything. The United States declared war, and California was now a redoubt of the Pacific Theater. From December 18 to 24, Japanese submarines prowled the West Coast hunting American commercial ships—sinking two, damaging two, and killing six merchant seamen. On February 23, 1942, came the "Battle of Los Angeles," when a Japanese submarine shelled an oil field, touching off an air-raid panic that attracted more than 1,400 rounds from the home guard the next night.

Concerns about invasion only grew in California after Allied forces lost ground in the western Pacific in early 1942. No one in Los Angeles knew what might come next, least of all Tom Neilan. But he understood that steel products would be required for the American war effort, so whatever plans he may have had to get out of the business quickly he put aside. "Now is not the time to get out," he told his family. Both Neilan and Reliance were in for the duration.

Neilan's commitment bore fruit when Uncle Sam handed Reliance a virtual golden goose in the form of a priority allocation for steel. President Roosevelt had created a number of new federal agencies to reorganize the American economy and to convert and mobilize the country's civilian industries to wage total war against the Axis Powers. One of these new agencies was the War Production Board, established on January 16, 1942. Its mission was to allocate scarce defense-related materials, establish production and distribution priorities, and prohibit nonessential production. Metals were vitally important—especially steel—and so the War Production Board took complete control over which companies could receive raw steel and steel products, and to whom, where, and when they could sell it. A priority allocation from the War Production Board was highly coveted within the industry since it guaranteed not only a steady stream of

suppliers and buyers, but also steady profits. Neilan had not thought to apply for a priority allocation since Reliance was tiny in comparison to the "Big Steel" giants back east, but aware of Reliance's position as a key distributor, the War Production Board gave him a priority allocation anyway, enabling the company to thrive during the war years.

There was no magic formula to it—just about any company doing defense-related work was prospering, especially those in the shipbuilding, aircraft, oil, and metals industries. During the war, the federal government spent more than $35 billion in California alone. The state's manufacturing economy more than doubled during that period, and 1.6 million people moved there to work. The construction industry leaped back to life as new bases, naval facilities, air fields, and supporting civilian war industries had transformed the Los Angeles cityscape into a modern metroplex with the latest in architectural and metallurgical technology. And steel was the key to it all.

Reliance did experience one setback when, in August 1942, Harold Ridgway joined the Army and submitted his resignation as Secretary-Treasurer and Director. Recently hired Corporate Secretary Frances E. Haney took the third spot on the Board and held it for four years until she was succeeded in both positions by Bettie Littell. Shortly after this management transition there was also a transformation in the company name. Reliance did not hold any prime contracts with the U.S. government, but operated as a "short job" sub-contractor for larger companies, providing small volumes at low cost and with quick delivery. There was another company, based in Pennsylvania and also called Reliance Steel Products Co., which did have several prime defense contracts, the terms of which required it to operate in California. The Pennsylvania company could not do so, however, as long as it carried the same name as Neilan's California company. The Pennsylvania firm requested that Reliance alter its name and proposed to defray all expenses associated with the change. It further promised to withdraw its qualification once its contracts were completed or when the war was over. Neilan did not object; the company was renamed Reliance Steel Company as of January 17, 1944.

Bettie Littell joined Reliance in 1946 and served as Secretary-Treasurer for nearly fifty years.

During the 1940s Reliance shared billing at this property, at the corner of East 37th Street and Ross Avenue, with Allied Supply Company.

IN FOR THE LONG HAUL

By early 1945, even though wartime production was slowing down, Reliance was booming—so much so that it had run out of warehouse space. In the final year of the war, Reliance was sharing the property at the corner of East 37th Street and Ross Avenue with another sizeable company, Allied Supply Company. The two corporations held it in a joint lease from the owner, the Estate of Daniel, Phillips, Nye, and Little. Neilan began considering two options: either build a bigger and better facility on that property, or lease additional warehouse space somewhere else. Clearly the entrepreneur who had once deemed Reliance to be no more than a short-term venture had now changed his mind. Neilan had come to realize that if properly managed, Reliance could be a profitable long-term enterprise. He had also developed a fondness for the company, his colleagues, and his employees; he did not want to walk away from them. Now committed to the steel industry for the long haul, Neilan began thinking about postwar growth. In order to lock in a favorable rental agreement, Reliance joined with Allied Supply to extend the lease for another three years beginning January 15, 1946.

The end of World War II left California with an impressive industrial economy, but that base necessarily contracted while the state reconverted to a peacetime economy. Many companies that had prospered during the war years were now at a crossroads, their managers wondering how they would adapt to peacetime production—or whether they should even try. That was where Reliance found itself as con-

One of Tom Neilan's top postwar priorities was the acquisition of new equipment. Pictured, an employee using a light bandsaw at the 37th Street shop during the 1940s.

struction in Los Angeles ground to a halt and the demand for rebar dwindled.

This was a turning point for the young company. Neilan could have closed up shop, but instead did the opposite—he began pushing the Board to invest so that Reliance would be able to command a sizeable share of the market once business rebounded after the economy transitioned away from war-driven production. He noted that up to that point, Reliance had been among the "short-line-jobbers," overly dependent on selling only rebar and a few other goods. He believed that Reliance should begin offering a larger line of products such as plates, sheets, and cold drawn bars, and that it should greatly expand its fabrication abilities—to bend, cut, and mold the products to meet a wider range of customer demand. As a first step, in January 1946 he suggested to the Board that Reliance consider buying its own land and building a new warehouse. Directors Roe and Haney agreed that Neilan's proposal was "sound and practical" and told Neilan to look into it.

Neilan reported back to the Board on February 19. His talks with real estate agents and construction contractors indicated that it would cost between $125,000 and $150,000 to buy and build on a new site. The Board members were startled by the numbers, perhaps mostly because the figures did not include the costs of additional machinery that would certainly be required. They instructed Neilan to find an alternative. Three weeks later, Neilan reported back with a new plan: extend the lease for an additional seven years on the Vernon property and build a new 20,000-square-foot building at a cost of $32,600. Neilan had even gone ahead and hired an architect to design the new space. The Board gave its approval.

Preparing to cut an I-beam with a Peerless heavy-duty power hacksaw.

That summer, before construction even started, Neilan began identifying the equipment that Reliance would need in the postwar period, including cranes, an "iron worker" machine, torch cutters, plate shears, and circle-cutting torches. All that would cost about $100,000. Neilan was also convinced that it would be "absolutely necessary" for the company to carry a full line of steel products in order to remain competitive. That would include cold drawn bars, high carbon bars, floor plate, sheared plates, and, as soon as they became available, hot rolled black sheets and galvanized sheets. Some salesmen, Neilan noted, were even asking for plow steel. Neilan had also ordered an expensive new delivery truck to carry the expected heavier loads of steel. The Board agreed that Reliance should indeed be ready for the postwar boom, but the question was how to finance the investment.

Reliance was doing well despite the reconversion lull in the economy. By mid-summer the company had accrued $89,500 in earned surplus, which Neilan insisted be retained to fund growth rather than be distributed to shareholders—even though he would have been the primary beneficiary. But those earnings alone could not fund the expansion that Reliance had planned, so Neilan and Roe put even more money into the company, making personal loans exceeding $100,000 during the summer. By the fall, all the plans were set and Reliance's finances were in order. Construction of the new warehouse began on October 5 and was completed on January 30, 1947.

During the subsequent months Reliance began to reap the rewards of its reconversion investment. Then, as the orders rolled in, supplies of steel suddenly became scarce. California was roaring back from the postwar lull into an unprecedented construction boom, fueled by two main drivers. First, there was the development of subdivision housing for veterans who were settling down and starting families. Second, there was the unfolding Cold War, which revived the aircraft and shipbuilding industries and brought the prospect of long-term military spending. Los Angeles was a prime beneficiary of both the construction boom and the new defense contracts, and continued its exponential growth as one of the world's great cities.

For Reliance and its competitors in the steel products industry, the construction boom was a double-edged sword. While orders for components mounted to meet the demands of builders, supplies of steel and steel products dwindled as companies vied with one another to buy up raw materials like the steel produced at Henry J. Kaiser's plant in Fontana, California, the largest steel mill west of the Rockies. During World War II, Reliance's priority allocation had meant guaranteed access to the steel that it needed to do business, but by November 1945 the War Production Board had been phased out.

The company now had to compete for steel, and in January 1948, Neilan told the other Board members that "there would continue to be great difficulty in getting a sufficient supply of steel to support sales at the level of 1947 or perhaps higher." By spring, Neilan was even more exasperated, not only by the scarcity of raw materials but also by the cramped space in the warehouse that Reliance shared with Allied Supply Company. Reliance was notably lagging behind its competitors in terms of its plate burning, shearing, and saw-cutting capabilities. Neilan's Irish temper boiled over in an April Board meeting. "We should have this equipment in order to get recognition among buyers of steel so as to give service somewhat in line with our competitors," he fumed. Moreover, he said, "If we

AEROSPACE ENGINEER AT SEA

In July 1944, America was slowly pushing back the Japanese in fierce combat in the Pacific. Victory was not yet assured, and U.S. soldiers, airmen, Marines, and sailors were enduring terrible casualties. The Pacific War was largely a naval war, and the U.S. Navy desperately needed more sailors and officers to man its vast fleet of warships and auxiliary vessels—particularly men with engineering degrees and technical expertise.

It was at this time that the young aerospace engineer Bill Gimbel resigned from Douglas Aircraft Company and joined the U.S. Naval Reserves. Following officer training in Hollywood, Florida, he was commissioned as an ensign and assigned to the light aircraft carrier USS *Monterey*, CVL-26. The *Monterey*—"Monty," as she was affectionately called—carried forty-five aircraft and was crewed by a complement of 1,569 officers and men, including Lieutenant Gerald R. Ford, gunnery division officer, assistant navigator, and future president of the United States.

Gimbel boarded Monty for the first time in July 1945, just as the U.S. Navy was launching its final air strikes against the Japanese home islands. He served as a Combat Information Center officer on the Monty for the next nine months, and was subsequently promoted to Lieutenant (Junior Grade). In June 1946, he was honorably discharged and resumed his career as an engineer at Northrop Aircraft Company. Gimbel's superior, Commander D.C. Goodman, wrote to him that "you met the high standards of the naval service and assisted materially in bringing our mission to a successful conclusion." Gimbel remained proud of both the Monty and his shipmates for the rest of his life.

Bill Gimbel in Waikiki, June 1945.

are to get anywhere in the business we must carry more diversified stocks of steel." All of these things required capital, but the shareholders—Neilan included—decided that bringing in any outside investor was out of the question. "We will have to rely on bank credit, trade credit, and retention of profit," he concluded.

The warehouse issue was particularly difficult. Neilan was eyeing Allied Supply's floor space in their shared building. Allied Supply had been a welcomed co-tenant since the early 1940s, but Neilan now saw it more as an unwelcome guest. Accordingly, he approached Allied Supply's president, Gilbert Nesheim, and asked if the company could be induced to move so that Reliance could take over its floor and office space. Nesheim's response was an indignant "No!" Roe was content to accept that as a final answer, suggesting instead that Reliance buy land and build another warehouse. Neilan reminded him that Reliance did not have the money to do so, and redoubled his efforts to push Allied Supply out. Nesheim was stubborn—not until early 1950 did Allied Supply vacate the building.

THE SECOND GENERATION

While struggling to get more steel and more warehouse space, and to keep the company financially afloat, Neilan started thinking about his retirement and the second generation of leadership for Reliance. He had turned sixty in May 1947, and would be eligible to retire in only two short years. Vice President Jack Roe was still young at forty-four years, but Neilan had not groomed him for the top job. Apparently, he had decided to keep the business in the family—through his niece, Florence A. Gimbel Neilan.

Florence was born on June 25, 1914, to William Balzer Gimbel and May Neilan Gimbel. Florence's mother was Tom Neilan's sister, and the Neilan and Gimbel families shared the same Irish Alley household in San Francisco around 1910. Florence had a younger brother named William T. "Bill" Gimbel, who was born on November 24, 1918. Florence and Bill's early childhood had not been happy. Their parents separated in the 1920s. Bill's father took custody of him,

No stranger to machinery—Tom Neilan's nephew and successor at Reliance, Bill Gimbel, as a young man.

A White delivery truck, fully loaded with I-beams, prepares to make a run in February, 1947.

In the early 1950s Reliance was booming—and finally became the sole occupant of the facility at East 37th Street and Ross Avenue in Vernon, California.

but May was unable to support Florence, so Tom and Mae Neilan, being childless, adopted her. Having grown up in the Neilan household, Florence began using the Neilan surname sometime between 1930 and 1940. After the Neilans moved to Los Angeles, she was separated from her younger brother, who remained in San Francisco with his father until he reached his age of majority.

Young Bill Gimbel was five-foot-eight inches tall, but lean and lanky, with a toothy grin. He was a good athlete and an excellent student. He attended the University of California at Berkeley and earned his Bachelor of Science degree in Civil Engineering in 1942. After graduation, he went to work as an aeronautical engineer for Douglas Aircraft Company in El Segundo, where he met his wife Georgina. In 1944, Gimbel resigned in order to accept a commission in the U.S. Navy Reserves. As a naval ensign, he saw combat during the last stages of the Pacific War on board the light aircraft carrier USS *Monterey.* Returning to civilian life after the war, he went to work in June 1946 as a stress analyst for Northrop Aircraft Company in Hawthorne, California.

Gimbel soon grew dissatisfied with his job at Northrop, and began thinking about taking advantage of the 1944 Servicemen's Readjustment Act, or the "G.I. Bill," to pursue a Master of Business Administration degree at Harvard Business School. At this critical moment in his life, Florence decided to track him down and re-introduce him to the Neilan family. Florence Neilan was a traditionalist and did not believe that women should be involved in such things as company management—but perhaps, she thought, her brother could. Tom Neilan approved; he was eager to meet his nephew and to perhaps bring him aboard at Reliance.

Florence succeeded in locating the very pleasantly surprised Bill Gimbel. As he renewed his relationship with his sister, Gimbel also got to know his Uncle Tom. As they grew more comfortable with one another, Neilan asked Gimbel about his future. When Gimbel told him that he wanted to go to Harvard Business School, Neilan bluntly replied that he would be better off coming to work for Reliance; he would learn much more about real-world business in the ware-

With business good during the early 1950s, Reliance obtained 7.5 acres fronting 26th Street in Vernon and began building. The new warehouse was completed in January 1954.

house rather than in a lecture hall. Neilan made Gimbel an offer: join the company for a year, and if he did not like it, then Neilan would pay for his entire graduate education. It was too good to refuse. Gimbel resigned from Northrop on October 28, 1947, and reported to Reliance to start his trial period.

Though he was the company's first trained engineer, Gimbel still had to pay his dues. Indeed, Neilan intended for Gimbel to learn the business from the ground up, and so he started his nephew out as a trainee working in the warehouse, doing every "crappy job you could imagine," as Gimbel's longtime colleague Dave Hannah later put it. Gimbel did not complain, however, and since he had Neilan's ear he began making his mark. Fresh from the aircraft industry, Gimbel knew that structural components made of lighter metals like aluminum and magnesium were becoming valuable commodities as the Cold War heated up and the U.S. military began contracting for new types of aircraft and missiles from local companies such as Northrop, Douglas, North American, and Lockheed. In 1948 he convinced Neilan to establish new product lines, first in aluminum and then in magnesium. As a result, Reliance became one of the nation's first distributors of those two specialty metals. By that September, aluminum sales were already outrun-

Bill Gimbel's first big initiative was Reliance's diversification into aluminum and magnesium products, advertised here on the side of the new Reliance warehouse in the mid-1950s.

ning inventory. Gimbel was rewarded with a promotion to Aluminum Products Manager and took responsibility for building up that line of business.

President Harry S. Truman's surprise reelection the next month created some uncertainty for Reliance's business prospects. During his campaign, Truman had proposed, among other things, new economic controls, higher corporate taxes, a repeal of the anti-union 1947 Taft-Hartley Act, and an increase in the minimum wage. But Truman's "Fair Deal" sounded like bad news for metals companies like Reliance. Neilan predicted that a recession lay on the horizon. It struck in February 1949 and lasted for eleven months. On February 14, Jack Roe informed employees that, although sales had fallen off and income was diminishing, expenses remained the same. Roe intended to devote all of his time and effort exclusively to sales. In his place, Roe announced, "Bill Gimbel will assume the management of the office and warehouse and will exercise control over all commitments, requisitions, and orders involving expenses."

As Roe made way for Gimbel, the steel market weakened. Reliance's primary supplier, Kaiser Steel, had already dropped its prices. As a rule of thumb, high basic steel prices meant higher margins for distributors; lower prices meant belt-tightening time. As Reliance faced diminishing receipts, it had no choice but to drastically reduce inventories—this was problematic since buyers were increasingly opting to secure all of their metals needs from a single supplier. Caught in this downward spiral, Reliance reached its nadir by summer. Sales

bottomed out in July and Reliance's inventory was too low to support sufficient sales to earn a satisfactory profit. Neilan reported in August that "prospects were discouraging and business bad," and demanded that sales be pushed harder and more expenses be slashed. Roe and Littell reminded him that further cutting would be difficult—Reliance had always kept its costs down and so there was not much left to cut. There was little to do except to "struggle along as best we can until conditions become clearer," they decided.

By the end of 1949 things were looking up. In January 1950, as Reliance diversified its offerings and rebuilt its inventory, Allied Supply finally vacated the Vernon warehouse. The recovery was completed by the outbreak of the Korean War in June 1950, which put the United States back on a war footing and made Los Angeles a hub of support for United Nations forces in the Pacific. American rearmament likewise made steel a valuable commodity again, with prices rising along with the military's increasing demand. In October 1950, Luther H. Stringfellow signed on as Sales Manager to take advantage of the suddenly revived steel business and to service new customers. At the same time, Gimbel was appointed Assistant Sales Manager. Within months Neilan declared that his nephew's "new duties and responsibilities have been discharged with unusual achievement." Gimbel was moving up fast.

GROWTH MODE

By April 1951, Reliance was again in full growth mode and seriously considering purchasing its own land, building another warehouse, and moving into the steel sheet business. Jack Roe had wanted to do this for years, but the company's finances never seemed to allow it. Neilan decided that it was either now or never, so he and Gimbel began a long search for suitable land. In the late spring of 1952, they identified what they considered to be an ideal site. It was a 7.5-acre lot in Vernon owned by Wilshire Oil Company. The lot fronted 26th Street and was bounded by Santa Fe and Soto Streets. Reliance decided to make Wilshire an offer for 3.5 acres, which was considered sufficient for the expansion. Negotiations dragged on until February 1953, when Wilshire finally sold Reliance the parcel for $153,700. Within months, however, Neilan realized that he had miscalculated. The new property was just not big enough for the warehouse, office space, and parking area. Neilan once again approached Wilshire, and the oil company, evidently eager to dispose of an adjoining parcel, offered to sell an additional four acres for the bargain price of $50,000.

The new Reliance facility was indeed going to be big. The warehouse was 600 feet long and 74 feet wide, amounting to a total of 39,000 square feet of warehouse space and about 5,000 square feet of office space. Two 5-ton cranes would be installed for moving the heavy metal. The main structure's cost would be an additional $170,000, and site improvements would cost another $20,000. Construction began immediately, and the new warehouse opened in early January 1954. This site later became Reliance's flagship Los Angeles Division.

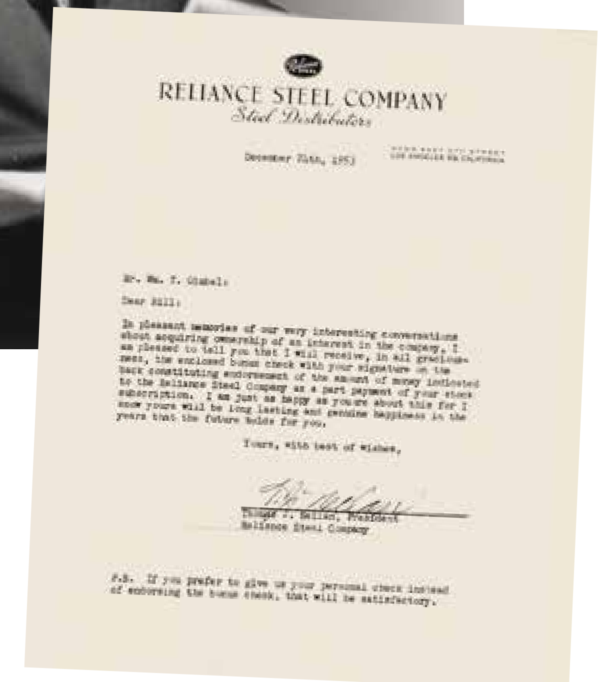
There were more investments to be made during the early 1950s, particularly in new equipment. To evaluate the technology and make the purchases, Neilan turned to Gimbel, whose engineering experience and fascination with technology and automation made him Reliance's resident expert in the field. Gimbel purchased a Niagara Shears 712-B Power Squaring Machine from the U.S. Air Force in July 1951. The

next February, Gimbel placed an order for a Dahlstrom feeding and straightening machine and a Dahlstrom cold roll forming machine at a cost of $22,240. At the same time, Reliance purchased a second heavy-duty truck, a Ford F-8, which could be used on a stand-by basis, fully loaded and waiting for the driver to return from previous deliveries, thereby eliminating a nagging gap in the company's delivery service. Neilan still wanted to obtain a complete slitting set-up, with roller-leveler equipment, which was required to give the company a competitive advantage.

The solution to that problem soon presented itself. In early June 1952, a representative from Carthage Strip Steel, Inc., located in South Gate, California, asked if Reliance was interested in buying all of its assets. Neilan directed Gimbel and Littell to negotiate the purchase as quickly as possible, for a price near $20,000 and not to exceed $25,000. The transaction went off smoothly, and the South Gate facility became Reliance's "Plant #2." The purchase provided Reliance not only with one of the few slitting machines in the Los Angeles area but also with the skilled staff required to operate it. Moreover, the buyout established an early precedent for expansion in which Reliance would not necessarily grow from within, but through external acquisitions.

As Reliance's operations grew, so did its leadership bench. Robert S. Hughes became Plant Manager in charge of both the existing Plant #1 (at 26th Street) and the new Plant #2. Effective June 1, 1952, Neilan formally made Bill Gimbel Vice President in charge of internal affairs and gave him control of all internal company operations including office and warehouse management and inventory control. "All departments will be instructed to discuss internal problems with Mr. Gimbel," Neilan ordered, "and in all instances his decision is

Bill Gimbel, about the time that he became Executive Vice President of Reliance.



RELIANCE STEEL COMPANY
Steel Distributors

December [illegible]

Mr. Wm. T. Gimbel:

Dear Bill:

In pleasant memories of our very interesting conversations about acquiring ownership of an interest in the company, I am pleased to tell you that I will receive, in all graciousness, the enclosed bonus check with your signature on the back constituting endorsement of the amount of money indicated to the Reliance Steel Company as a part payment of your stock subscription. I am just as happy as you're about this for I know yours will be long lasting and genuine happiness in the years that the future holds for you.

Yours, with best of wishes,

Thomas J. Neilan, President
Reliance Steel Company

P.S. If you prefer to give us your personal check instead of endorsing the bonus check, that will be satisfactory.

to be final." Jack Roe took on the title of Vice President in charge of external affairs, which included sales management and strategies, customer contacts, and credit affairs. Neilan also rewarded Gimbel and longtime outside counsel Bernard Hiemenz by making them Reliance Directors, bringing the total number to five.

For 1952, sales topped $4.2 million, with a gross profit of $1 million. In September 1953, the Board authorized the private issue of 10,000 shares of stock. As Reliance's performance rose so did Gimbel's star. That December, Gimbel informed his uncle that he wanted to use his Christmas bonus check to buy some of the new common stock. Neilan was overjoyed, writing back on Christmas Eve, "In pleasant memories of our very interesting conversations about acquiring ownership of an interest in the company, I am pleased to tell you that I will receive, in all graciousness, the enclosed bonus check with your signature on the back constituting endorsement of the amount of money indicated to the Reliance Steel Company as a part payment of your stock subscription. I am just as happy as you are about this," Neilan continued, "for I know yours will be long lasting and genuine happiness in the years that future holds for you." Gimbel now owned 120 shares of Reliance. Roe and Hiemenz each held 50. But Neilan was still firmly in control—N.J. Thomas owned 3,120 shares of Reliance as of January 19, 1954.

On October 29, 1954, Neilan formally named Gimbel as his successor. In a letter addressed to all Reliance employees, Neilan wrote that "It is a pleasure to announce the elevation of Mr. Bill Gimbel to the position of Executive Vice President. For a long time we have been looking forward to the development of a line of succession in management" he continued, "and this initial step brings us somewhat nearer to our goal." Jack Roe had agreed with Neilan that management responsibilities and obligations should "be passed on to younger men before actual necessity made it a compelling urgency." He therefore promised to assist Gimbel with his advice and counsel as they worked together to accomplish Neilan's objectives.

PROFITS AND PROBLEMS

In 1955, Reliance began distributing stainless steel products and arranged for a salesman named Jack Moore, compensated strictly on a percentage basis, to extend its market. The initiative paid off with both profits and problems. Due in part to the expansion into stainless steel, by the end of 1955 both the leased warehouse on 37th Street and the new 26th Street facility were swamped. It was apparent to all on the Board that a new warehouse was needed, but capital was again lacking. After much deliberation Neilan authorized construction of another bay at the 26th Street property to provide some short-term relief. It was completed in March 1956.

The year 1956 proved to be an important one for Reliance in other matters, too. Previously, the company had rewarded employees with annual Christmas bonuses, but Reliance now began offering them profit sharing, life and health care insurance, a retirement plan, and a savings plan that allowed them to invest part of their wages into company-managed accounts. In September, Neilan also brought Glidden executive Henry F. Thomas aboard as a new Vice President. Thomas' task was to take over Gimbel's old job of internal operations, and to assist in the forthcoming transition.

An even bigger change was in the company's name. Henry Kaiser had long since diversified beyond steel. In 1956, his Kaiser Aluminum Company contacted Neilan and

insisted that Reliance change its name to incorporate the word "aluminum" to indicate that Kaiser's products were being handled by Reliance. On March 21, the company name became Reliance Steel & Aluminum Co.

In 1957, Neilan's health began declining. Perhaps his judgment was, too. For some inexplicable reason, he decided to jettison all of his carefully laid transition plans and arranged to sell Reliance to an outside party. Even worse, he attempted to do so in total secrecy. Attorney Bob Henigson, who would soon become its longtime outside counsel and join Reliance's Board of Directors, later recalled, "Nobody at the firm, nobody at Reliance, knew that Neilan had decided to sell the outfit—least of all Bill Gimbel, who was running it." The asking price was $3,750,000.

Neilan, it turned out, had cut an informal deal with stainless steel salesman Jack Moore, who would receive a commission for identifying an acceptable buyer. Moore went quietly down to Arizona, took a room in a motel, and bought an advertisement in the *Wall Street Journal*—"BUSINESS FOR SALE." Moore answered inquiries from his hotel room but he had to eventually escort potential buyers to Vernon to "kick the dirt." "It was at that point," Henigson remembered, "that Neilan informed everybody that he was going to sell the business." Gimbel's reaction at the news is unrecorded but not hard to guess. Still, Neilan was the boss, and Gimbel had no choice but to go along.

A Detroit lawyer named Harry H. Meisner answered Moore's ad on behalf of some anonymous clients. Moore informed Neilan, who sent Gimbel to Detroit to meet the lawyer. On July 21, 1957, Gimbel and Meisner met. During the conference, Meisner told Gimbel that he expected his own commission for finding a buyer—Gimbel told Meisner to take it up with Moore. A perturbed Gimbel flew back to Los Angeles.

Moore agreed, over the telephone, to pay Meisner half of his own total sales commission from Reliance's sale if Meisner was the one responsible for its consummation. Moore and Meisner confirmed their oral agreement through an exchange of letters. Meisner stated in his letter of July 25, 1957, that he would be entitled to one-half of the total commission "upon the completion of a deal initiated and concluded by me."

Moore and Meisner reached an agreement and on July 30, 1957, the lawyer revealed the prospective buyer, Myron Hokin of Chicago, who represented a firm called H.W.G.

Reliance founder Tom Neilan, pictured here late in life, created several years of complications for Reliance by trying to sell the company.

RELIANCE'S LEGAL EAGLE

Attorney Bernard Hiemenz had drawn up Reliance's original articles of incorporation and for many years, Reliance relied upon him for routine legal services. However, in 1957, Neilan turned to the small firm of Lawler, Felix & Hall for help negotiating the proposed sale of Reliance. At Lawler, attorney William Coffin took over for a time, and then turned the assignment over to his protégé, Robert Henigson.

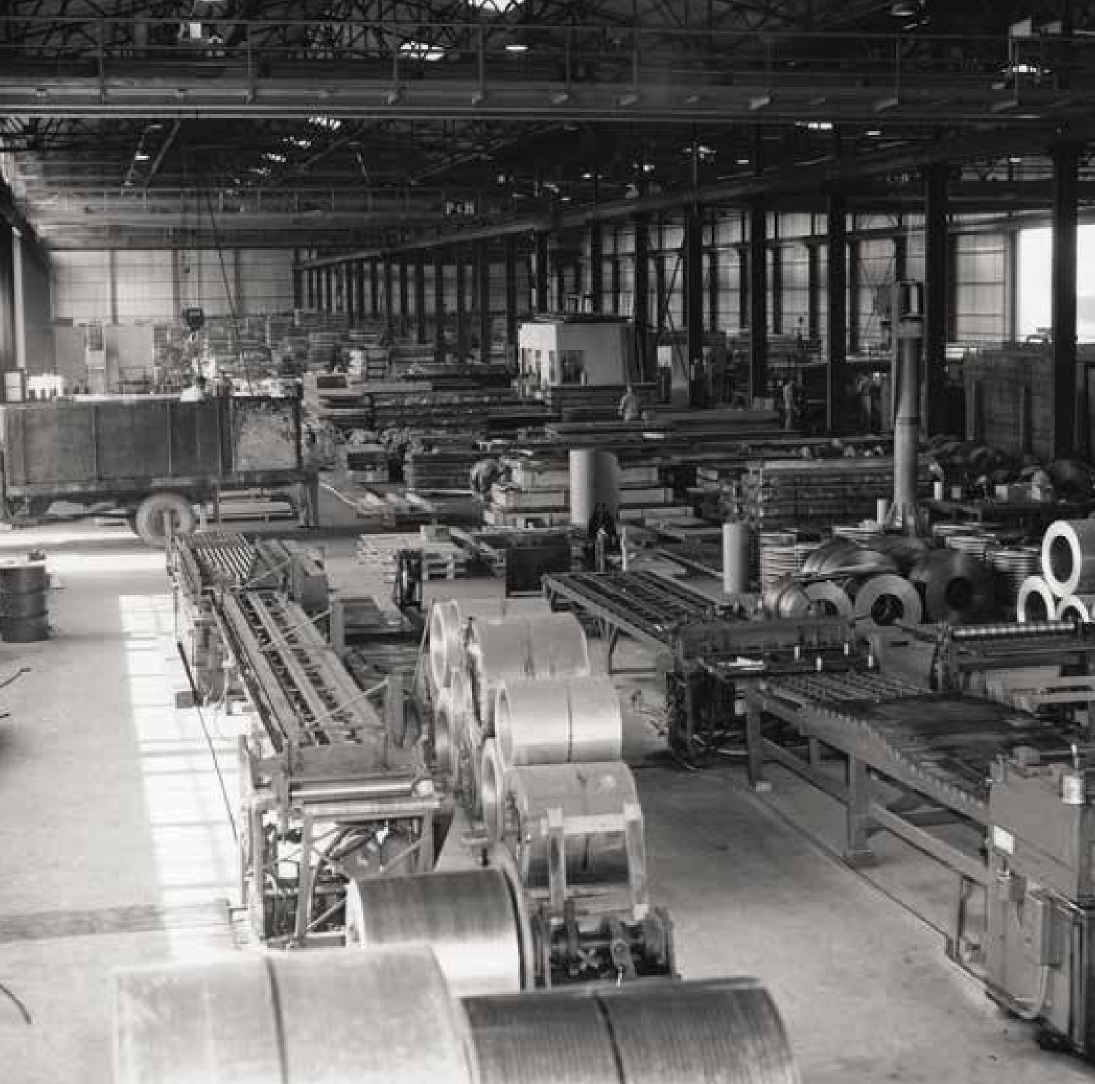
Henigson was born in Hollywood on December 27, 1925, and went to school in Los Angeles. He earned his bachelor's degree from the California Institute of Technology in Pasadena, and then went to work. But Henigson had higher aspirations so he enrolled in Harvard Law School. After graduating in 1955, he returned to California and passed the state bar exam. As a newly minted lawyer, Henigson had trouble finding employment in the Los Angeles area. He later remembered that he "wore out a lot of shoe leather talking to lawyers in practice and hoping that one of them would offer me a job." Finally, Lawler, Felix & Hall hired him and placed him under Bill Coffin's tutelage.

Coffin was justly confident in the ability of his protégé. Henigson won a summary dismissal in the first lawsuit against Reliance related to the cancelled sale, and then a favorable bench ruling in the second. With the lawsuits concluded, Henigson became the company's principal counsel and served in that capacity until he retired from Lawler, Felix & Hall in 1987. Henigson's aggressive professionalism earned him Bill Gimbel's respect and lifelong friendship. Henigson later described their friendship:

Every time he had a problem, Bill would call me and say, "This is it, what do I do?" We'd work it out and he appreciated the advice and paid the bill and everybody was happy. He always thought that these very complicated agreements that we lawyers put together were totally unnecessary, that people should be able to make a deal on the basis of a handshake.

Gimbel selected Henigson to take up the vacancy created when Hiemenz retired from Reliance's Board of Directors in 1964. Henigson, in turn, had so much faith in Reliance that he took out a large personal loan to buy 50,000 shares of Reliance stock when it became available. He was not wealthy so the loan was quite a burden, but the purchase proved to be a great investment.

Henigson eventually became a partner at Lawler, Felix & Hall. Kay Rustand worked for him there as a young associate, handling all of Reliance's acquisitions from 1994 onward and becoming the company's first General Counsel in 2001. She recalled that most of her colleagues were afraid of Henigson because he demanded excellence. "There was no substitute for that," she said. "He expected you to put in the time and know what you were doing, and I always enjoyed working with him because of that." Henigson remained a Reliance director until 2005 and quietly passed away on February 28, 2014, surrounded by his family.


With both the 37th Street and 26th Street warehouses working to capacity, in 1956 Reliance built a new bay onto the 26th Street facility, pictured here.

Preparing for a delivery of sheet metal in a truck sporting new lettering, shortly after Kaiser Aluminum convinced Neilan to change his company's name to Reliance Steel & Aluminum Co.

Corporation. Bernard Hiemenz represented Neilan during the ensuing negotiations conducted in August 1957 in Los Angeles. Hokin hired Gibson, Dunn & Crutcher, then the biggest law firm in Los Angeles. Hiemenz found himself overmatched by the Gibson, Dunn & Crutcher attorneys, who ground out new draft agreements overnight. "I can't cope with these guys," he admitted, "they're too high-powered for me." So he threw up his hands and excused himself from the negotiations. Neilan asked one of the officers he knew at National Farmers & Merchants Bank to recommend a firm that could stand up with Gibson, Dunn & Crutcher. He was directed to the small but highly competent practice of Lawler, Felix & Hall of Los Angeles, and a lawyer named William T. "Bill" Coffin. "Can you deal with the Gibson lawyers?" Neilan asked. "Sure, I can handle it," Coffin confidently replied.

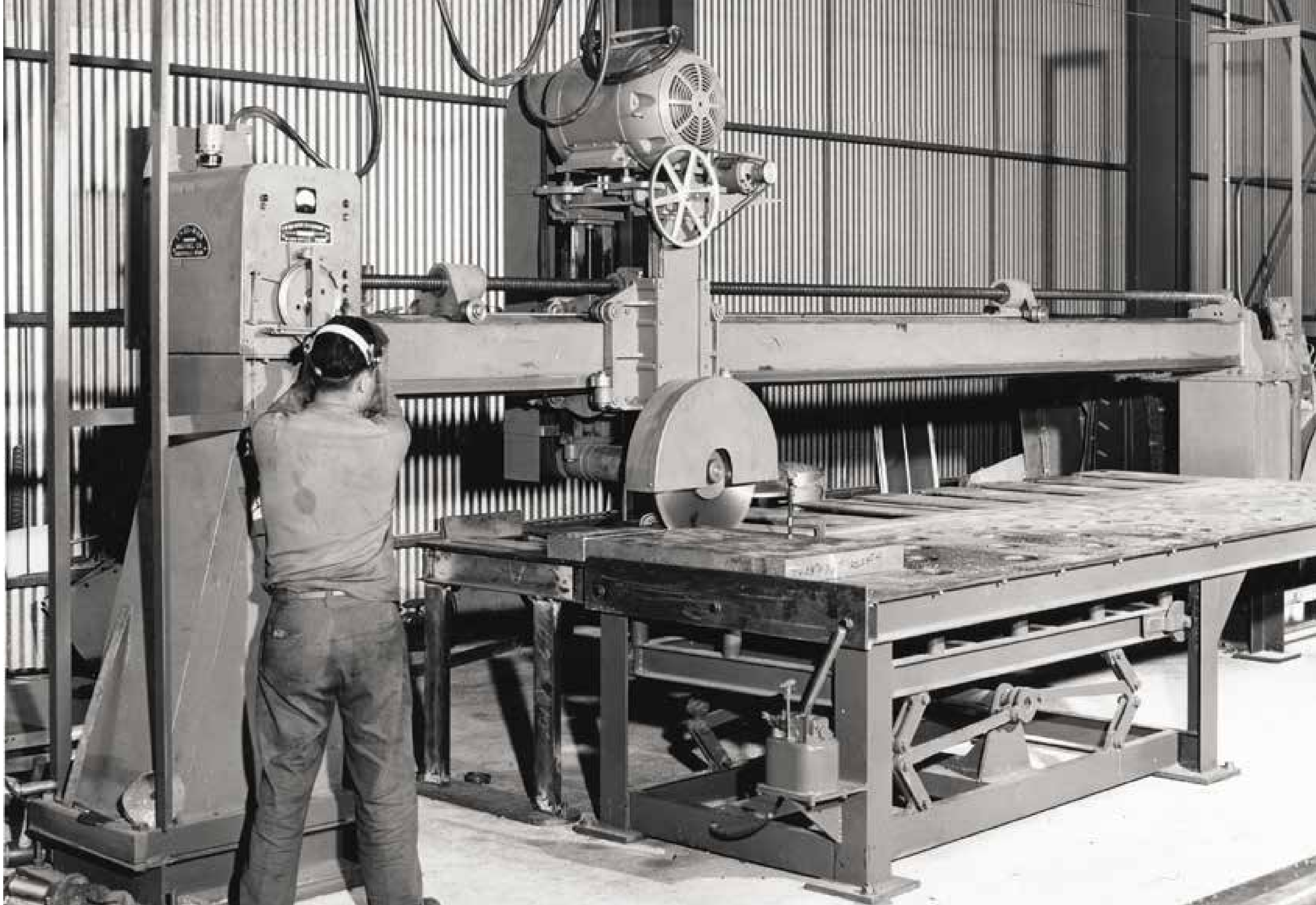
And so he could. Once negotiations resumed, Coffin matched the Gibson Dunn attorneys draft for draft. Bob Henigson, Coffin's mentee, later laughed about the legal duel, reminiscing, "They were throwing these drafts back and forth like a ping pong ball!" Eventually the ball stopped; the

Loading up square tube steel for delivery around 1960.

negotiations ultimately broke down. Meisner kept trying to revive the deal in order to salvage his commission and even pursued the ailing Neilan for a fixed settlement. He was still doing so when, on November 17, 1957, Neilan died.

Neilan was buried on November 21 in Holy Cross Catholic Cemetery near San Francisco. Two weeks later Gimbel convened a special meeting of the Board of Directors. The meeting opened with the Board unanimously voting to "record its affection and esteem for Mr. Thomas J. Neilan, the deceased founder of this business," as well as the Board members resolving "to use our best efforts in continuing the successful operating policies established by him." Next, the Board turned to the pressing issues at hand. A few months before his death, Neilan indicated that after he was gone he wanted the Board of Directors to update the company's by-laws and to add the offices of Chairman and Comptroller to the management structure. In his will, Neilan also expressed his desire that Bill Rumer, his nephew by marriage, fill the vacancy on the Board created by his passing.

Thomas Neilan had two sisters. His older sister, May, had married William Gimbel, Bill and Florence's father. His younger sister, Ann, married George Shepperd, and



By the late 1950s Reliance had more floor space and new equipment, including this Ty-Sa-Man bridge saw.

their daughter Nancy was married to Rumer, an electrical engineer with a background in California's aerospace industry. The Board voted, again unanimously, to make the requested changes and to make Rumer a Director of Reliance, a position he held until 2004. In the organizational elections that followed, attorney Bernard Hiemenz was elected Chairman and Comptroller, Bill Gimbel was elected President, Jack Roe was elected Senior Vice President, and Bettie Littell was re-elected as Secretary-Treasurer.

Throughout the recent drama, Bill Gimbel had been powerless to intervene. But he had spent the past ten years learning the business so that he could ultimately lead the company. And with Neilan gone and the deal left hanging, Gimbel saw his chance to take control. Once the reorganization and officer elections were out of the way, Gimbel asked the $64,000 question. "This is a growing company," he said. "Do you think we should sell it?" Rumer was an electrical engineer with the RAND Corporation and was able to analyze the numbers. "I looked at it," he later remembered and said, "Bill, it doesn't look like we should sell this thing. At least let's give it a shot." The other Board members agreed and extended their full support to Gimbel.

THE SOCIAL CONSCIENCE OF RELIANCE

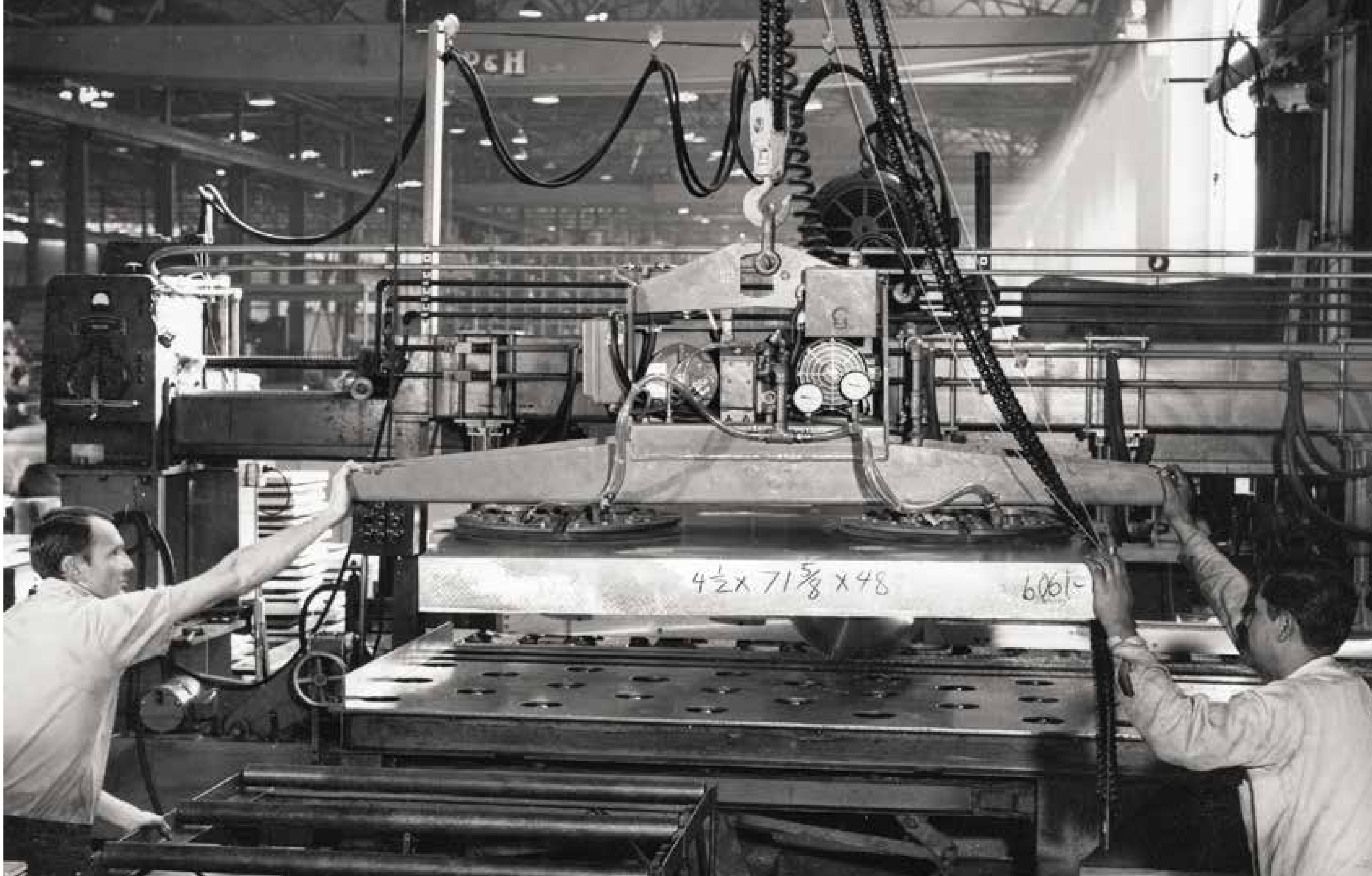
Georgina Louise Gimbel was for many years the social conscience of Reliance. Born in California on October 31, 1920, to George and Nancy Tiffany, Georgina went to Torrance High School, where she served as president of the Girls Athletic Association. When World War II broke out, she went to work at Douglas Aircraft in Torrance. There she met engineer Bill Gimbel. They began dating and were married in 1944, just before Gimbel joined the Naval Reserves.

The couple was reunited in early 1946 and settled into their first home in Long Beach. Later that year, she gave birth to their first daughter, Susan. Three more children followed: Janet (1948), Thomas (1951), and Joanne (1953). While the Gimbel household expanded, Bill and Georgina developed an effective partnership, with Georgina taking on the role of domestic boss while Bill worked his way up to running Reliance. As their son Tom later recalled, "Mom was truly in charge at home and Dad was quite happy with that."

Bill and Georgina Gimbel in 1964.

Georgina was not only a homemaker for the Gimbel family but also served as a key advisor as Bill navigated Reliance through occasionally stormy seas. She was also well known as a gracious hostess and the social conscience of the Reliance family. Georgina's dinner parties were particularly famous in business circles, in part because she thoughtfully accommodated her guests' preferences. Longtime Reliance Board member Bill Rumer loved kosher dill pickles, so she always made a point to have some ready for him. Rumer once had to unexpectedly miss one of Georgina's Christmas parties. When they next met, Georgina scolded him for his abrupt cancellation: "I bought those pickles just for you and they stunk up the whole house and I couldn't get rid of them!" "She and her family were great," he said—but he never again missed one of her parties without giving her advance notice.

Another Board member, attorney Bob Henigson, recalled that "Georgina was a very sweet, very sincere, and lovely woman," but that she was fiercely protective of her husband and Reliance, and she resented anyone who failed to show the proper respect to either. In 1957, just before Tom Neilan died, Henigson recalled, the Gimbels agreed to entertain potential Reliance purchasers. Georgina felt impelled to offer them some hospitality even though Bill did not want to sell the company. "So she invited them over to their home and fixed up a very fancy dinner," Henigson said. "But these birds, instead of coming to dinner as they'd agreed to do, got a better offer and went somewhere else." Georgina never forgot the insult, and told the story many times over the years, still angry about it. Georgina died on June 5, 2000, after a brief illness, much to the sadness of all who knew and loved her at Reliance.



Moving aluminum with a vacuum sheet lifter at the Vernon plant.

The meeting concluded, Gimbel rushed to consult Coffin about Reliance's options. Coffin advised Gimbel, "You have no obligation to sell the business—we never did reach a consummated contract." A relieved Gimbel directed Coffin to tell Gibson Dunn that the deal was off. Myron Hokin and his attorneys gracefully retired from the table. Meisner refused to do so, however. Only days after Neilan's funeral, he sent Gimbel an invoice for the $30,000 that he claimed as commission. Gimbel rejected the invoice outright and notified Meisner by registered air mail. Meisner took Reliance to court, first in the U.S. District Court for the Southern District of California, and then in the U.S. 9th Circuit Court of Appeals. Coffin and his protégé Bob Henigson saw each case through to conclusion in Reliance's favor. On December 7, 1959, the 9th Circuit finally issued a "very short and sweet opinion," as Henigson described it, "pointing out all the defects in his case." But then it was Jack Moore's turn to sue. That litigation dragged on for three years before Henigson finally won a favorable judgment in August 1962, following a ten-day bench trial.

As if this protracted litigation was not enough of a distraction, Neilan's death had left the company in a financial quandary. Neilan's first wife Mae had died in October 1941, and they had had no natural children. Neilan later married Catherine M. "Cora" Neilan, and they did not have any children, either. With no direct heirs, the estate was settled among Cora, Bill Gimbel, and Florence Neilan, his nearest living relatives.

This task, along with Neilan's complex business arrangements involving N.J. Thomas & Co., made settling his estate difficult. Complicating matters further for Reliance was the prospect of having to underwrite Neilan's estate and inheritance taxes. Indeed, the Neilan estate executor informed Gimbel in May that Reliance might be expected to redeem between $600,000 and $700,000 worth of N.J. Thomas & Co.'s stock to meet the obligation. Plans for further facility expansion and new equipment purchases came to an abrupt halt while Gimbel began negotiations with Farmers & Merchants Bank for a potential loan to buy the stock.

The troublesome estate issue, like the litigation, dragged on into 1962. Through a series of complex buy-sell agreements, Reliance redeemed well over $500,000 of Neilan's stock in installments, with funds borrowed from Farmers & Merchants. In the end, the taxes were paid, Neilan's estate was settled, N.J. Thomas was dissolved, and Bill Gimbel and Cora and Florence Neilan became Reliance's chief stockholders.

Bill Rumer filled the vacancy on the Reliance Board created by the death of his uncle by marriage, Tom Neilan. He encouraged Gimbel to take Reliance off the market and build up the business.

MOVING FORWARD

Neilan's affairs finally settled, Gimbel felt confident moving forward with his own ideas about how to build Reliance. It did not take long for him to impress everyone. Bill Rumer recalled that "he was really a sharp guy" but "very private," never discussing his boyhood, his upbringing, or even his wartime naval service. Bob Henigson described him as "a man of great energy" who "could work endless hours very efficiently." He was highly principled in his business dealings, Henigson pointed out, and he also "had a sixth sense for horseflesh" when it came to assessing people. "He could go into a room and pick out the five most mature and most likely to succeed in a very short period of time," Henigson recalled, "Needless to say, I respected him enormously." Gimbel was a deep thinker and fully able to consider input from experts like Rumer, who advised him early on that "the essence of good command is anticipation." He was particularly interested in pursuing opportunities Rumer recommended in the mobile home, aerospace, and electronics industries.

First, though, Gimbel needed to resolve Reliance's chronic space problem. The issue had become critical, considering the recent expansion of Reliance's competitors U.S. Steel Supply, Reynolds Supply, Howard Supply, and A.M. Castle Co., which were building new warehouses themselves. The costs of operating two warehouses and Plant #2 were also becoming prohibitive. Gimbel therefore began considering a consolidation all of the existing operations into an entirely new warehouse. The Board had already authorized $225,000 for construction of the new bay at the 26th Street warehouse, but Gimbel wanted more. He proposed that Reliance allow its 37th Street lease to expire, sell the two cranes there to the landlord for $32,500, buy two more acres of adjoining land on East 26th Street at an upcoming auction for approximately $90,000, build a 7,500-square-foot office building for another $90,000, and add 36,000 square feet of warehouse space for $120,000. The Board approved these ambitious and expensive plans.

In May 1959 Gimbel and Hiemenz bought the 26th Street property for $94,000. In July, Reliance hired the architecture firm Albert C. Martin & Associates to design and build the new office building. A bronze plaque and photograph of Neilan was placed in the reception area to commemorate his status as company founder.

Meanwhile, the business was thriving under Gimbel's dynamic leadership, reaching record monthly sales of $1.4 million in April 1959. This was due in part to the expansion of sales territory to cover the area from Santa Maria in the north, San Diego and Chula Vista to the south, and Riverside and Banning to the east. Twenty-four salesmen now worked the southern California region, and Reliance applied to do business in Arizona.

Although the increasing sales were good news, Reliance was becoming a victim of its own success. Gimbel called the amount of metal moving through the warehouses "considerably over our physical handling capability." The crowding situation had become so acute that Reliance had to ask suppliers to withhold shipment. When the new bay was ready in April 1959, in fact, Reliance's employees were so busy filling orders that they did not have time to move in.

Sales continued to climb through the spring and summer, even in the midst of a long national steel strike, which allowed the company to sell much of its slower-moving inventory, including items that had been slated for the scrap barrel. Aluminum and magnesium lagged due to a decline in aircraft industry requirements but steel was still hot. As 1959 drew to a close, Gimbel informed the Board that "the year was our biggest in sales and profits." With sales just over $15 million, "it was a good year," he said, expressing satisfaction that the company had weathered the worst. Gimbel was now ready to embark upon a new course, one informed by the frustrations and financial pain of the past. Henceforth, Reliance would not only grow internally but also expand externally through targeted acquisitions. This would require new sources of capital and sophisticated financing, but Gimbel believed that Reliance could get it. He was sure that before long Reliance would be second to none in the metals service center industry.

An aerial view of Reliance's now-expansive flagship facility, featuring three bays and an office building, on 26th Street in Vernon, California, about 1960.

A team of operators guide a king-size clad aluminum sheet from a roller leveler onto a steel pallet to be interleaved with paper. It is one of thousands that Reliance produced for the Lockheed L-1011 Tri-Star airliner, built from 1968 to 1984.

MAKING METALS MOVE

1960-1980

Reliance was humming in the spring of 1960. It was in a brand-new warehouse and office between East 26th and 27th Streets in Vernon. Sales and profits were brisk and customer enthusiasm was high, boosted by group tours of the new plant. A third shift had even been added to handle the growing business, since peak season was beginning for the flourishing mobile home industry. A long national steel strike had been settled in January, the Meisner federal court case had concluded in Reliance's favor, and the Moore case was going nowhere. But President Bill Gimbel was still not satisfied.

During the 1960s, Reliance offered roofing and siding in galvanized steel or aluminum. This machine processed corrugated metal from three feet to forty feet in length.

Now in his thirteenth year with the company and his third as its leader, he had learned much about the steel products industry—its idiosyncrasies as well as its fickleness. Local competition remained fierce and past experience indicated that the metal markets could turn on a dime. Therefore, despite Reliance's recent surge, he still worried that things could go from boom to bust very quickly.

USING THE CUBE

Large-scale developments compounded Gimbel's worries. The steel industry was not only struggling from domestic competition and the residual effect of the strike, but it was also under pressure from an onslaught of foreign-produced steel. In the mid-1950s, the United States had enjoyed a favorable trade balance, exporting between three and five tons of steel for every ton imported. In 1958, the trend began reversing. Steel imports accelerated during the 1959 strike, when American manufacturers discovered that foreign steel was a less costly alternative to domestic steel. Worse yet, the quality of the imported steel was often better, since the foreign mills were newer than their American counterparts. This was particularly true of Japanese steel, which was produced in brand-new facilities erected after World War II.

The world's steelmaking capacity grew rapidly, with the European Common Market doubling its output, the Japanese quadrupling production, and most of the surplus being dumped in the United States. By the early 1960s, imports began to exceed exports by 3 million tons per year. Domestic producers lowered their rates to compete, only to watch the foreign producers slash prices still further to undercut the American competition. As steel prices dropped, prices for processed steel plunged and profit margins evaporated.

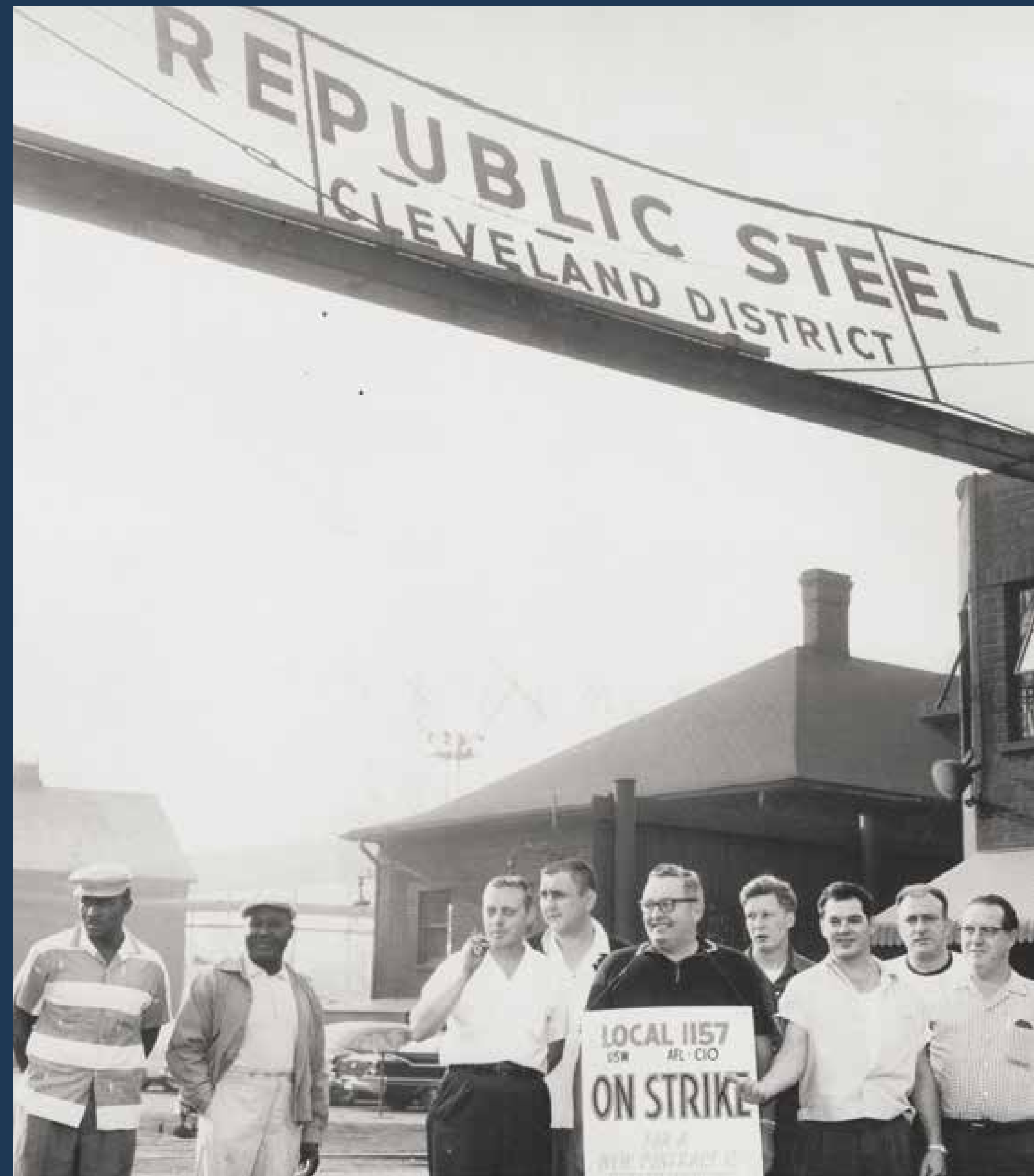
Confronted by this increasingly challenging market, Gimbel concluded that Reliance had to expand its operations and broaden its markets to ensure long-term survival, and he adopted the grim maxim that "in our business, you grow or go." Gimbel accordingly challenged his management team to come up with plans for future expansion, additional product lines, and the establishment of warehouses in new locations—all the while pushing for a greater return on capital.

THE STRIKE THAT TRANSFORMED AN INDUSTRY

The national steel strike of 1959 was the largest strike in industry history and was a watershed event for steel and metals service center businesses. The United Steelworkers of America organized the strike in order to demand wage increases, benefits, and employment security. The strikers also opposed industry efforts to change a controversial contract clause that prohibited the steel companies from reducing hours or firing workers to lower production costs. On July 14, 1959, half a million steelworkers walked off the job and effectively shut down eighty-five to ninety percent of the nation's steel mills.

For nearly four months, the steel industry was crippled. Although Reliance was not a steel producer and was thus not directly involved in the strike, the company's leaders were still very concerned that inventory would dry up if the supply disruptions lasted for long. As Bill Gimbel feared, the strike dragged on well into the fall and the mills remained closed, leaving Reliance's shelves empty. As a result, Reliance negotiated import agreements with foreign producers, particularly in Japan, to restock its warehouses. Many other companies did the same to keep their operations afloat, not only in the metals service center industry but also in the automobile, railroad, and mining industries.

The 116-day strike finally ended on November 6, after President Dwight D. Eisenhower intervened, citing a threat to national security. The federal courts backed him, and the strikers went back to work with only a small increase in wages. Although the mills restarted, the damage had already been done. Steel imports for 1959 totaled 4.4 million tons, an increase of almost 3 million tons from the previous year, while domestic production remained flat. With imported steel proven to be of equal or better quality and available at lower cost, the American steel industry began its long decline. Japanese steel became a significant part of Reliance's inventory in the 1960s, and the company established excellent business relationships with suppliers such as Mitsui, leading up to their joint venture of 1980.



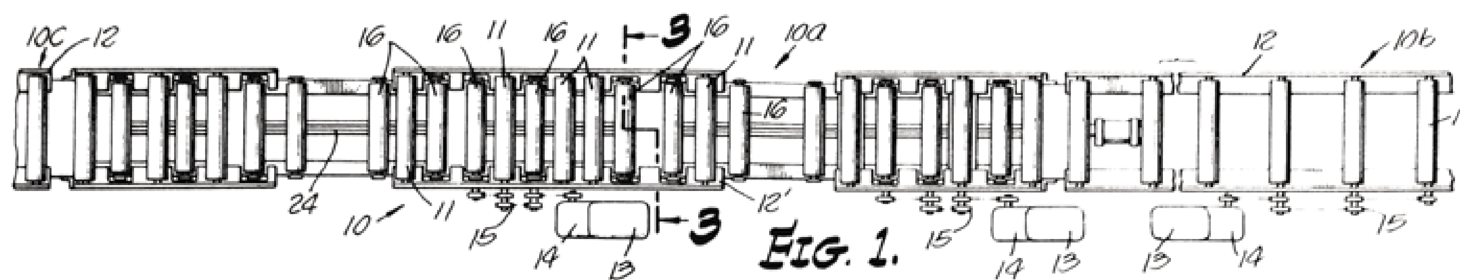
Gimbel was also troubled about Reliance's warehouse operations. The new plant and equipment notwithstanding, it seemed to him that operations were still stuck in the past technologically. His six-man warehouse crew struggled with antiquated inventory storage and handling techniques: sheet metal inventory was stacked on pallets or skids covering 32,000 square feet of floor space. Coils of metal were stacked in unstable pyramids elsewhere in the warehouse.

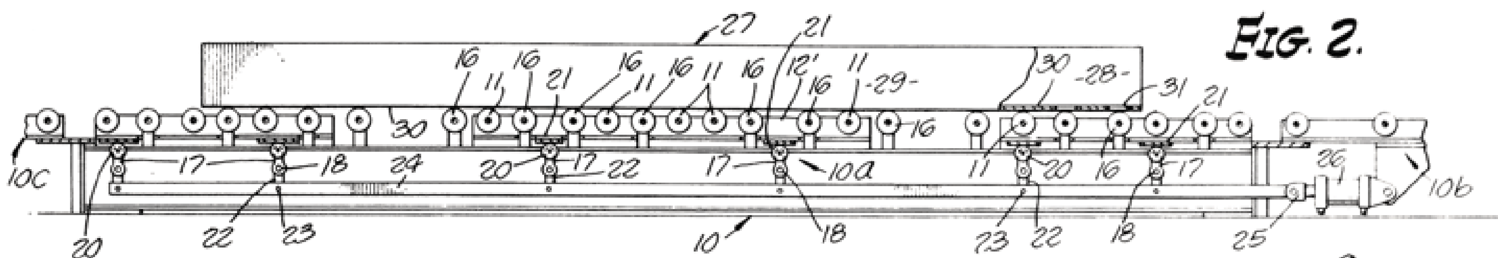
Even though the 850-foot long, 225-foot wide structure was brand-new, floor space was rapidly filling up. While making rounds among the growing number of skids and pyramids, Gimbel considered the needless expenses associated with the manual handling of stock. Stacking pallets of metal sheet on the floor posed particular problems. It was generally accepted that whenever metal sheets were handled they would be damaged, usually on the edges, from forklifts, crane hooks, accidental spills, and bumps. Moreover, stock that came into the warehouse first was usually on the floor for a long time since employees tended to fill orders from the top to save time. That forlorn bottom stock subsequently bore all the weight of later loads that were placed on top, and often became unusable over time due to deterioration and pressure damage. Additionally, whenever an employee raised a loaded skid with a crane or forklift, nails in the skid invariably worked loose and marred metal surfaces underneath. The losses added up over time, since trimming and refinishing required a lot of effort and produced scrap of little value. The damage was particularly embarrassing when no one spotted it before delivery. "When [the customer] found it," Gimbel complained, "we had to spend non-productive man hours in sending a truck to his plant to pick up the damaged order and replace it with fresh stock."

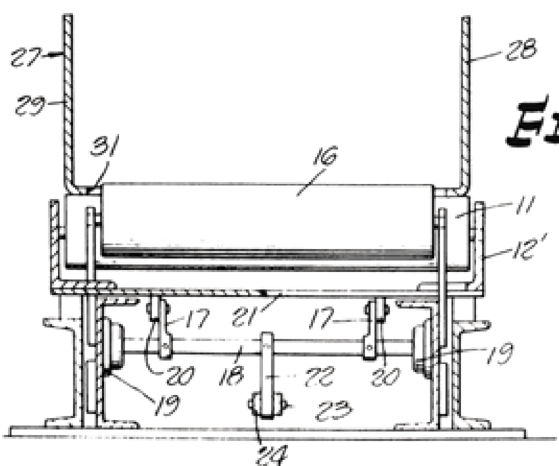
Poor record keeping in the office made things worse, resulting in misplaced inventory, expensive stock hunts, shipping errors, and excessive overtime. "I've seen as long as three hours spent looking for a skid of sheet stock that wasn't where it was supposed to be," Gimbel reported. "By the time you've dug out your wanted skids and put material that was above them somewhere else, only the memory of the worker who has been filling the orders can tell you where anything is." Multiple shifts only compounded the problem, he added, since "the day shift has no way of knowing where the night shift has put which item in the stockpile, and vice versa."

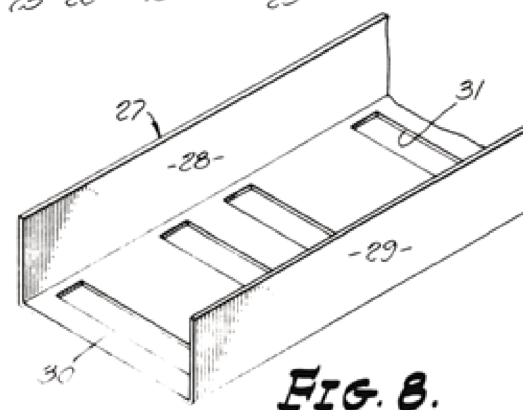
The coil pyramids presented a challenge to forklift operators and put tremendous pressure on the coils at the bottom. If a coil at floor level was ever squeezed out of its cradle, the whole pile could collapse. "It happened once with us," Gimbel recalled. "Sent a coil right through the steel outer wall of the warehouse." Overhead cranes, meanwhile, swung above the floor to retrieve the sheet. "Any time you crane lift sheet stock from a pile of skids you endanger people in the area," Gimbel noted. "A worker can fail to see a swinging load. If something slips, an entire load of sheet can spill onto the floor." Not surprisingly, injuries were too frequent and workers' compensation insurance costs were high. Gimbel worried about how to boost both productivity and employee safety in the warehouse. After May 1960, when Reliance's warehouse workers and truck drivers joined International Longshore and Warehouse Union Local 26, safety was a key issue as the union negotiated its first collective bargaining agreement.

Gimbel knew that something would have to be done if Reliance was to continue expanding its operations, estab-









Bill Gimbel was a born problem-solver and a creative engineer. Pictured here is a conveyor design patented by Gimbel and Carl B. Larson.

lishing new lines of stock, improving safety, and reducing costs. Reliance could always add new bays to the building, but that would only raise construction costs, create additional overhead expenses, and do nothing to alleviate the storage and handling problems. He believed that Reliance required a comprehensive modernization program involving not only new equipment but also a whole new approach.

An engineer and former naval officer, Gimbel was familiar with the systems approach to technical problem solving pioneered by Bell Laboratories during World War II and then proliferated throughout the country, particularly in the Department of Defense and the newly created National Aeronautics

and Space Administration. The systems approach tackled problems from a holistic and interdisciplinary perspective in which multiple components were not just analyzed individually, but also viewed in terms of how they worked together as complex, interconnected systems. The more he studied systems engineering, the more Gimbel was convinced that it could be applied to Reliance's operations. The key to productivity, he concluded, lay in building the company into an efficient, integrated system rather than maintaining a collection of single warehouses containing individual, independently operated machines. Incorporating the systems approach into his management philosophy, Gimbel pushed Reliance to the technological forefront of the industry.

It was another insight that triggered the effort, however. One day while making his rounds, Gimbel looked down the length of the warehouse. "I could see stock piled often no more than one foot above the deck," he remembered, "and twenty feet above it, up to the craneway, a big, unused cube of space that produced nothing." He then recalled a recent excursion in which he had driven into an automated parking garage and watched as his car was robotically whisked away and deposited in a rack of "pigeonhole" storage spaces. Gimbel realized that a similar type of storage and retrieval system might get the stock up off the floor, into the twenty feet of unused cube space, and solve most of the warehousing problems.

The only catch was that no one was building that kind of technology for the metals service center industry. Undeterred, Gimbel began experimenting with different ways in which the unused cube might be transformed into usable warehouse space. One idea involved storing metal sheet and bar stock on trays in roller racks and using muscle power to pull them out and onto supports in the aisles, then using a crane to lift the stock to work areas. He was on the right track, but the concept needed further refinement.

A good example of "unused cube space" during the early 1960s. Stacks of aluminum sheet cover the floor at the Vernon flagship plant while an overhead crane swings in the empty air space above.

While grappling with the unused cube problem, Gimbel—an inveterate trade magazine reader—saw an advertisement promoting a small, semi-automatic rack storage system built by Triax Company of Cleveland, Ohio. He was intrigued. Triax had never built a rack system of the size Reliance would require, but Gimbel believed that it could be done. "We were sure that their design was basically sound and that the system could be built to any size," Gimbel said. He flew to Cleveland and met with Triax President Ray Armington. Armington was at first reluctant to scale up the system for Reliance, but Gimbel persuaded him to try it on a "must-work-or-no-pay" basis. It was going to be expensive. The price tag was $250,000, and Gimbel knew that would be a tough sell to Reliance's Board of Directors.

A gambler at heart despite his conservative demeanor, Gimbel knew that investing in automated technology was worth a shot and lobbied Directors Jack Roe, Bettie Littell, Bill Rumer, and Bernard Hiemenz to fund the rack system. They initially refused, citing the heavy financial burden that the company had just assumed to pay for the new warehouse and office buildings. Determined to make his case, Gimbel began punching numbers into his adding machine, accounting for such factors as reduced labor costs, lower damage claims and injury costs, improved inventory control, and regained floor space. He projected that the semi-automatic storage system would save Reliance at least a half million dollars in the coming years, easily paying for itself and then boosting profitability. The Directors still hesitated, yet Gimbel persisted. The tipping point came with a change in federal tax and amortization provisions in 1962 that provided Reliance with a generous investment tax credit that made it much easier for Reliance to invest in the Triax system. The Directors approved and Gimbel placed the order. The Triax system was installed in the fall of 1962.

The result was nothing short of revolutionary. The largest of its kind in the country at the time, the Triax mechanized system was comprised of two semi-automated storage racks for sheet metal and five-high racks for coil. The semi-automated racks were fifteen levels high with a total of 1,850 pigeonhole load openings for pre-cut flat sheet metal. The pigeonholes were accessed by a retriever machine on tracks operated by a single employee and an assistant. The five-high racks contained twenty-five bays for coil—the heaviest coils were stored in the lower bays and the lighter coils higher up. A forklift was still necessary to retrieve individual coils, but the dangerous pyramid stacks that had previously dotted the warehouse floor were gone.

Installing a rail at the base of a five-high rack of coil, with each bay carefully numbered for efficient location and retrieval.

With the warehouse space now used to its full potential, further efficiencies were obtained by more systematic order retrieval. Every size and type of sheet metal that Reliance stocked was assigned its own address card on file in the central office. When order forms were prepared they included these address numbers to guide the order fillers. To obtain sheet, order fillers punched the address of the requested stock into a small pushbutton console mounted on the retrieving machine. The retriever then moved down an aisle between the opposing storage racks, stopped, rose to the proper rack level, extended a small conveyor into the proper pigeonhole, lifted out a stock-loaded pallet, and then returned with it to the order filling station, where the sheet was cut and prepared for shipment. The round trip averaged just six minutes. Retrieving coil was almost as easy. Previously, order fillers had to locate the desired coil, laboriously remove it, and then rebuild the pyramid. Now, when an order came into the warehouse, a forklift operator went directly to the rack address of the desired coil and made it ready for slitting or leveling within five minutes.

A retriever machine, part of the Triax system installed in 1962, takes sheet metal from one of 1,850 pigeonholes.

The new system occupied only 12,000 square feet of floor space, opening up 20,000 square feet for expansion and saving Reliance an estimated $1,200 per month, based on 1962 Los Angeles area industrial property rental rates, or $140,000 if land and buildings were bought outright. With inventory neatly stacked and organized in racks, damage and deterioration costs were cut by $4,000 to $5,000 per month. Recording inventory became more accurate and maintenance became much easier, reducing correction costs.

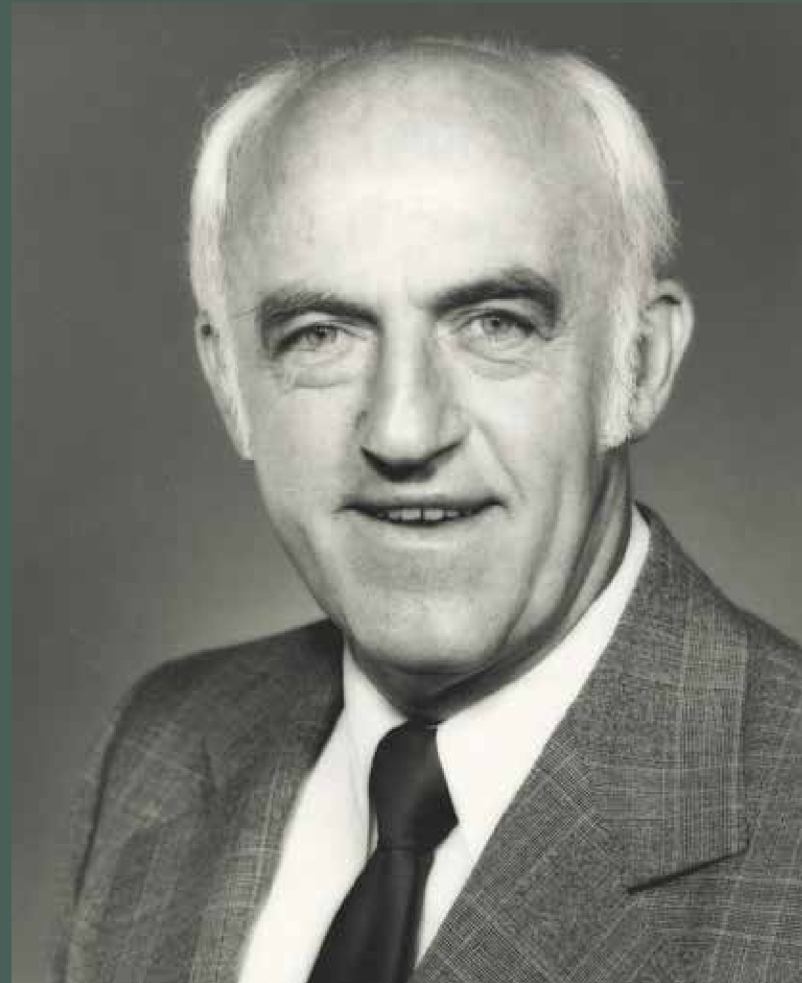
Only two men were required to operate the system, and so Reliance was able to reassign four of the six men who previously worked the warehouse. Overtime was reduced and because the system made the job both easier and more prestigious, absenteeism and turnover became negligible. With fewer workers on the floor and machines handling the more dangerous work, serious injuries became rare, which translated into significant insurance savings. A subsequent study

ROCKET SCIENTIST

Longtime Reliance Board member Bill Rumer was a real-life rocket scientist. Born in July 1926 to an Irish family in St. Louis, he grew up on the West Coast during the Great Depression. As a young man, his life's goal was only to get a steady job because "none of the men on my block had one." In 1940, at age fourteen and still in school, Rumer became a qualified machinist and built aircraft engine parts for Lockheed. Graduating early in 1942, he studied for a year and a half at the California Institute of Technology before joining the U.S. Navy in 1944, which retrained him as a radar technician.

After World War II, Rumer returned to Caltech on the G.I. Bill. He graduated in 1949 with an electrical engineering degree. He went to work for Hughes Aircraft as a radar engineer but left in 1956 to join the RAND Corporation, where he studied strategic bombing and advocated unmanned vehicle technology for military reconnaissance. The next year he was appointed to Reliance's Board of Directors in accordance with Thomas Neilan's wishes. In 1961, Rumer left RAND and went to work for Garrett AiResearch as an aerospace engineer. He specialized in preliminary design work and "just had bloody fun" conceptualizing airplanes, autopilot systems, deep sea submarines, hydrofoil boats, and rapid transit cars.

Garrett AiResearch was a NASA contractor during the 1960s space race and built environmental control equipment for the Mercury, Gemini, and Apollo programs. As a design engineer, Rumer was heavily involved in developing certain spacecraft systems for NASA and even helped rescue the Apollo 13 astronauts when their service module malfunctioned on the way to the moon in 1970. Rumer retired from the aerospace business in 1985, but remained a Reliance Board member until 2004, enlivening the monthly meetings with his jolly humor and trademark cigars.



revealed that, altogether, the investment in the Triax high-rise storage and retrieval system saved Reliance almost $800,000 during its first nine years.

EXPANDING BY ACQUISITION

Modernizing warehouse operations dovetailed with another and more ambitious goal: expanding the business geographically. Gimbel began by targeting Arizona, where Reliance sales agent Lyle Imler had been at work since 1958. A competitor, Ducommun, had already moved into Phoenix, built a warehouse, and was doubling capacity. Another competitor, Earle M. Jorgensen, was also expanding into Phoenix. Imler had built up "an exceptional amount of goodwill" among potential customers in the area, but his effectiveness was limited since Reliance had no warehouse nearby. During a visit to Arizona, Gimbel had been intrigued by the possibility of buying a local company, but the owner refused to sell. Consequently, he began considering building a new warehouse in Phoenix, which he estimated would cost $200,000.

In June 1960, Imler reported that business conditions for metals products were favorable and recommended that Reliance build the warehouse in Phoenix. The following

In the early 1960s Reliance expanded by acquiring facilities throughout California. This San Diego warehouse came into the company with the 1963 purchase of Drake Steel Supply Company.

John H. "Johnny" Norris was Manager of Reliance San Diego operations. He was also, for a time, one of the company's top employee shareholders.

month, the Board of Directors endorsed the plan and allocated $175,000 to carry it out. Gimbel returned to Arizona with Jack Roe. Along with Imler they began searching for a suitable site.

Then, in August, Effron Steel Company, located at 929-931 East Jackson Street in Phoenix, went up for sale. Gimbel and Roe seized the opportunity and negotiated a deal to buy out the owners for the bargain price of $158,656. Reliance took over the facility in September, built an addition, and was soon showing a good profit. This Phoenix operation became Reliance's first division—a distinct business unit within the corporation but not organized or operated as a separate company. Ultimately the Phoenix operation became one of Arizona's leading metals service centers.

Gimbel had long hoped to make Reliance a powerhouse in the industry and had learned a valuable lesson from this transaction that helped him to achieve that goal. As Bob Henigson later stated, Gimbel "finally realized that it was a hell of a lot faster to grow a business by acquisition than it was through natural growth." Thus began Reliance's territorial expansion based on a simple formula: acquire existing service centers and then develop each into a leading regional company.

The next acquisition came in 1961 with the purchase of the Santa Clara-based Westates Steel Company, which became Reliance's first Northern California metals service center. The next opportunity appeared in 1963: Drake Steel Supply Company, a large, well-established competitor with facilities in Los Angeles, San Diego, and Fresno. This acquisition was among the most important in the company's history. It began much like the Effron deal, when Drake's owners decided that they wanted to leave the business and gave Gimbel a call. Before committing to this larger purchase, however, Gimbel carefully analyzed Drake's operations to ensure that the acquisition would be a good fit.

Meanwhile, as Reliance began to expand by acquisition it also built up its management ranks. The change was precipitated when Bernard Hiemenz, longtime Comptroller and Chairman of the Board of Directors, retired in early 1963. Jack Roe moved up to the chairmanship, but that would be temporary—he himself was planning to retire. Younger men rising in the ranks included Robert L. Zickerman, who took over as Comptroller and assistant to long-time Secretary-Treasurer Bettie Littell. Inside Sales and Warehouse

Luther Stringfellow was hired on at Reliance in 1950 as Sales Manager. Just over ten years later he became Vice President of Public Relations.

Manager Henry F. "Hank" Thomas became Vice President in charge of merchandising in Los Angeles, while former Sales Manager Luther Stringfellow became Vice President of Public Relations. A Gimbel associate named Marion "Mal" Troster filled the vacant seat on the Board of Directors. Still, Gimbel had no designated successor. He therefore paid particular attention to Drake's leadership during his appraisal of the company, with a view toward further building up Reliance's own management team.

Gimbel soon identified a potential right hand man—Drake Vice President Robert L. Zurbach. Born in 1917, Zurbach had served with the Office of Price Administration during the early years of World War II, helping to establish the price schedule for scrap iron and steel before going into uniform. In 1946, he founded Zurbach Steel Company of California, which merged with Drake in 1959. Gimbel was impressed with Zurbach's energy and marketing ability, which helped him decide that the Drake acquisition would indeed be a good fit. He formally proposed the purchase on May 21, 1963, thereby establishing another precedent of obtaining through acquisition industry veterans to strengthen Reliance management.

In his pitch to the Board, Gimbel wrote, "We have built a solid basic operation with good and improving facilities, a tight, efficient, but thin organization and a very fine financial position with a good base for credit." He noted, however, that despite steady profits, Reliance's "selective selling program has not led to a significant increase in Los Angeles sales volume." The company needed more local customers and Gimbel believed that acquiring Drake would bring them in. Gimbel also touted Drake's management, noting that acquiring the company would "enable us to make a big move toward becoming organizationally sound."

The Directors approved the acquisition and Reliance bought Drake on July 15, 1963, for $2 million. Drake's Los Angeles shop was transferred to the 20,000 square feet of floor space at Vernon—the space that was newly available thanks to the Triax storage system—while the San Diego and Fresno warehouses were kept open as service centers in the expanded sales territories. Most notably, Reliance had nearly doubled in size with $20,000,000 in annual sales and

Robert Zurbach, left, came into Reliance with the Drake acquisition. He was considered at one point a potential Gimbel successor, but he ultimately focused on finance and special projects.

service centers in Los Angeles, Phoenix, Santa Clara, San Diego, and Fresno.

MANAGEMENT, OLD AND NEW

Unbeknownst to Gimbel, the Drake acquisition brought another man into Reliance who became pivotal to the company's future—Joseph D. Crider. Crider was born in Wright, Missouri, in 1929. After graduating from high school in 1948, he joined the U.S. Air Force and served in Japan as a clerk. "I got a lot of education," he later remembered, and "I became a pretty fast typist." Following his discharge in 1950, Crider parlayed his clerking skills into a job at Drake's Fresno location, where he avidly sought increased responsibilities. After a year as a billing clerk, Crider asked to learn product pricing. He worked another year in that department before switching to inside sales, placing orders. From there, he went to outside sales and spent five years traveling his territory and building his personal selling skills.

Around 1958, Crider applied to become the Fresno Sales Manager. His boss hesitated, telling the youthful salesman, "You're pretty young. We got a guy out there sixty years old and here you are in your late twenties wanting to jump

ahead." Crider was steadfast, and replied, "Well, that's got nothing to do with how I work. Why, I connect with guys at all ages whenever I'm out in the field." Crider got the promotion and began to shift territories, rotate salesmen, shed dead wood, and deal with other problems that he had recognized from the field. As a result, Drake's Fresno business boomed. Crider later attributed his success to a dogged work ethic. "Each job I went to, I always tried to do it better than I found it," he said.

Shortly after Reliance bought Drake, Crider decided to invite Gimbel to Fresno for a ride-along so he could introduce the President to Reliance's new customers. Crider once again approached his supervisor, telling him, "I want Bill Gimbel to come up and spend a couple of days with me to call on all our accounts. Call him and ask if he'll do it." Crider's boss shuddered at the thought of bothering Gimbel. "*You* call him!" he snapped. So Crider gave Gimbel a call and asked him if he would like to visit the Fresno sales territories. "Well, of course I would," Gimbel replied. He and Crider spent two days driving around Fresno together and meeting Drake's biggest accounts. Gimbel liked "hobnobbing," as Crider put it, and the two men became good friends during this first important encounter. Gimbel returned to Los Angeles sure that Crider was worth watching—but left him in Fresno for the time being.

Reliance spent the six months from August 1963 to February 1964 integrating Drake's facilities and personnel into its own organization. Gimbel clearly had big plans for Robert Zurbach, naming him Assistant to the President, with responsibility for inventory control, steel mill relations, new production and market research, and traffic. Almost immediately, Zurbach took on a high-profile role as company spokesman in the newspapers and trade publications. Likewise, Gimbel gave Zurbach the honor of presenting a "fitting program for the 25th anniversary of the founding of Reliance Steel & Aluminum Co." at the March 1964 shareholders meeting.

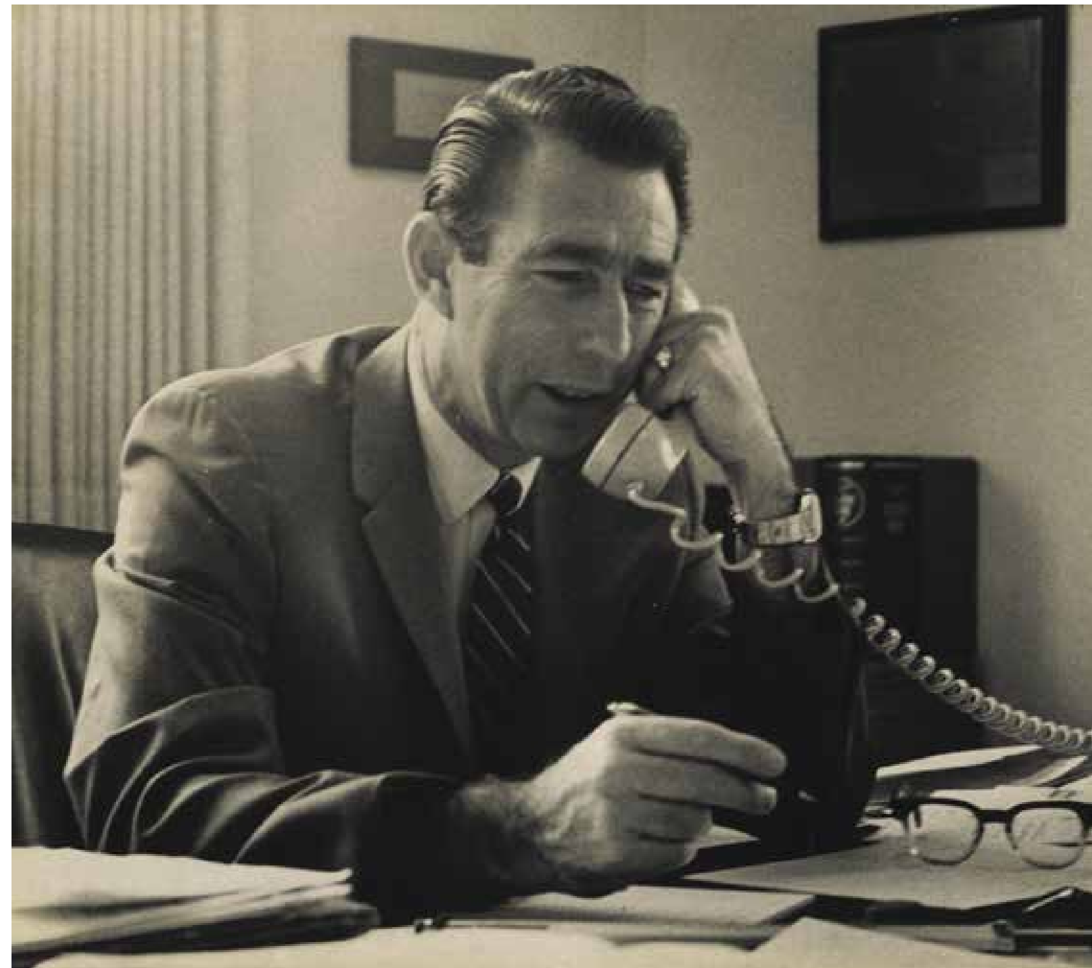
As soon as Reliance acquired new facilities, arrangements were made for improved storage and handling. Here an employee installs rails for a "sideloader" truck at the Santa Clara service center.

With Zurbach and his colleagues making a relatively seamless transition to Reliance just as the Triax racking system was coming online, there was indeed a general sense that Reliance had reached a major milestone. Gimbel predicted to the shareholders that 1964 would be the company's biggest year ever in sales volume—up at least thirty percent—and insisted that despite twenty-five years of "severe" competition, long-term profitability was finally ensured—he projected profits to rise twenty percent in 1964.

But the news in 1964 was not all good. Senior Vice President and Chairman of the Board Jack Roe died unexpectedly on January 29, and Reliance was shaken. At the regular Board Meeting on February 20, 1964, Gimbel and the Directors discussed the tragedy at length and issued a formal resolution expressing their deep sorrow at his death. "The Board of Directors of this Corporation," the resolution read, "hereby gives formal expression of its grievous loss in the death of CHAS. J. ROE, and does hereby note in its records the passing from this life of a man who was highly esteemed by his associates, loved by his friends, and respected by all." Gimbel ordered the resolution hand-drawn and leather-bound, and presented it to Mrs. Roe along with a gift of $5,000. He also made arrangements to continue paying her a portion of her husband's salary for a time.

Gimbel took over as Chairman and nominated Bob Henigson to fill the vacancy on the Board of Directors. The Board elected the attorney unanimously. Henigson was fresh from successfully defending Reliance in the Moore litigation when Gimbel called him, soon after Roe's funeral. "He asked me if I'd like to join, and I said I would," remembered Henigson. "It was okay with my firm and so I became a member of the Reliance Board of Directors for the next forty-one years." Reliance now had a much stronger top management structure. The five plants were likewise in capable hands, with Hank Thomas in charge of the Vernon complex, Lyle Imler running Phoenix, John H. "Johnny" Norris responsible for San Diego, James L. Murphy supervising Santa Clara, and George B. Morgan overseeing Fresno.

Meanwhile, Directors Gimbel, Littell, Rumer, Henigson, and Troster oversaw the entire operation on behalf of the company's shareholders during their regular monthly meetings. These meetings had become more boisterous since Henigson had joined the Board. By coincidence, he and Bill Rumer were old schoolmates at the California Institute of Technology and whenever they got together in the Reliance conference room their joviality tended to color important discussions. The meetings typically began after work at six o'clock and went on until after eight or nine o'clock. Rumer remembered that Gimbel never controlled them. "He would just toss a subject



Bill Gimbel ran the Board of Directors with a light touch. He is pictured here in 1967.

Reliance spared no effort during the 1960s to squeeze more efficiency out of its facilities. At the Vernon service center, lattice trusses (foreground) were replaced by heavy beams, thus opening up 15,000 square feet of new space.

in and let it bounce around," or else say, "You know there's an opportunity here. What do you think about it?" After a round of raucous debate, in which "we always had fun….we always kidded everybody—we loved to tease," someone would finally announce, "This is going to be it and I hope you agree." At that point a decision was made. Afterward the five Board members went out together for a late dinner. Rumer noted that the merriment typically carried over into dinner, "when the conversations were just wild—anything was open for discussion."

Henigson added that "when I joined the Board, I hadn't seen this fellow Bill Rumer for years, but we became fast friends, of course. Bill was quite a clown." Henigson's Caltech buddy sometimes got him into trouble with his merrymaking. "Rumer liked cigars," Henigson later recounted, and "he usually shared them with me during the dinner. By the time I got home I smelled like a cigar, and my wife wouldn't let me come into the bedroom. She made me take my clothes off and hang them on the back porch to air out." All the trouble was worth it to Henigson. "We did have an awful lot of fun on that Board," Rumer agreed.

EMERGING FROM THE PACK

In the summer of 1964 the company continued Gimbel's modernization program. In August, Reliance once again expanded the Los Angeles headquarters, bringing the warehouse space there up to 225,000 square feet. Much of the new area was earmarked for the foreign steel that Reliance had begun purchasing in the wake of the 1959 steel strike. It was Reliance's first direct involvement with the overseas market, and Gimbel believed that it was necessary in order to remain competitive. The modernization program also entailed expanding the Santa Clara site by 22,000 square feet and, reflecting Gimbel's desire to be a technological trailblazer, installing a closed-circuit video system enabling him to monitor the Los Angeles operations in real time. By the end of the year, Reliance had more than 300 employees moving 70,000 tons of metals—the young company was emerging from the rest of the pack as one of the undisputed industry leaders.

In April 1965, Gimbel named Zurbach Vice President and put him in charge of marketing and branch operations. This quick promotion came after Zurbach hired public relations consultant Harold Levy and launched several media campaigns which were well received and pleased Gimbel. "Our problem is that we have grown so fast in the past few years that our 'image' has had trouble catching up with us," said Gimbel. He believed that many people still viewed the company as a simple warehouse with only a few tons of bar and sheet for sale and no unique processing capabilities. Zurbach was now beginning to change that perception, much to the sorrow of Reliance's competitors. A public affairs officer with a competing firm confided to *Metal Center News*, "Frankly, those guys have given me a whale of a lot of trouble lately. Every time my boss sees a story in the papers or a trade magazine about the latest development at Reliance, he calls me in and gives me hell!"

During an open house tour of the Santa Clara division in early 1965, Zurbach observed the keen interest generated by the plant's latest equipment and operations. Soon afterward, he saw the same excited response among Reliance's stockholders when they toured the Los Angeles facilities after their annual meeting. Zurbach described it this way: "The enthusiasm displayed by those who attended these two events

The "Metal-Rama" exhibition conceived by Bob Zurbach drew some 3,500 visitors and helps boost Reliance's May 1966 revenues.

proved to us that we really had a moving drama taking place in our organization—one that could capture the imagination of the entire industrial community, as well as our stockholders, employees, and friends."

Zurbach decided that Reliance should host a grand exhibition or industrial fair at the Los Angeles service center to show off the company's new high-tech operations. He pitched the idea to Gimbel and then to the Board in October 1965, and received tremendous support. "Seeing is believing," Gimbel said, and "we decided that was exactly what was needed to bring our mid-1960s public relations program to a peak—an opportunity for everyone to actually see what we have accomplished over the past five years!" He appointed Zurbach as event chairman; Harold Levy took on the overall coordination.

Plans for the exhibition came together quickly over the winter. Gimbel invited all of Reliance's suppliers and major equipment manufacturers to participate and forty-two accepted. In January, after considering more than thirty employee suggestions, Gimbel named the two-day event

"Reliance Metal-Rama." It was scheduled for May 12 and 13, 1966, in order to bring in the post-Easter crowds before they departed on summer vacation.

Before that happened, Reliance had to speed up the installation of two major improvements to the plant. The first was a $250,000 automatic stacker for bars and structural components. Manufactured by Euclid Crane & Hoist Company in Cleveland, the bar stacker was the largest of its type in the world: stretching twenty-one feet up into the air, it could handle 60,000 pounds of material that was housed in 1,200 trays. Next, Reliance added a 13,000-square-foot bay to accommodate the mobile home and trailer operations, which had recently been elevated to division status. Then came preparations for the exhibition. Reliance had no choice but to divert much of its sales staff to the job. The company also had to arrange with Vernon city officials to handle the traffic from the expected 2,000 visitors. The internal configurations of the warehouses likewise had to be altered so that they could stay in operation while the guests passed safely through. It was an enormous undertaking.

Reliance Metal-Rama opened to much acclaim in local newspapers and the trade press. Motorized trams carried visitors through the plant, while salesmen and equipment supplier representatives manned stations along the route to explain the work taking place at each specific station. Zurbach even arranged for two double-deck Santa Fe lounge cars to be towed onto a rail spur inside the plant so that the guests could have refreshments while enjoying a sweeping, elevated view of the operations. In all, some 3,500 visitors toured the plant during its two days—1,500 more than expected. Better yet, sales in May were higher than in any previous month in the company's history.

As revenues and profits increased, so did Reliance's investments in innovative technology. Soon after Metal-Rama closed, the company bought one of the nation's largest high-precision, heavy-duty slitting lines. Built by Forte Equipment Company of Chicago and operated by push-button controls, it handled 20,000-pound coils up to forty-eight

The Euclid structural bar stacker installed at the Los Angeles metals service center in the mid-1960s was the largest available. It dwarfed its operator, who used pushbuttons to move up to five tons of metal in 180-degree turns.

inches wide and cut quarter-inch thick metal sheets to close tolerances. To augment the slitters, Reliance also acquired a state-of-the art, precision, automatic cutting torch. Manufactured by Liquid Carbonic Division of General Dynamics in Chicago, it was capable of cutting squares, rectangles, and circles in a wide variety of sizes using a 60,000 degree Fahrenheit plasma flame. Few other companies in the country had this capability, giving Reliance a clear lead in the plasma cutting field.

Reliance also resumed its geographic expansion in December 1966, acquiring Delta Metals, Inc. and its two small metals service centers in Dallas and San Antonio, Texas. Reliance built modern plants for the operations at a total cost of $700,000, and expanded both in 1967. Gimbel moved Lyle Imler from Phoenix to Dallas to manage Reliance's Texas operations.

The company also hired its first industrial engineer in 1967. Victor Awdeychuk was trained at the University of Western Ontario and based at the flagship location in Vernon. There, Awdeychuk became responsible for production systems, equipment alignment, and other technical issues related to plant efficiency. Soon, Gimbel promoted him to Corporate Engineer with engineering duties at all seven of the company's locations. Although Awdeychuk's arrival relieved Gimbel of the burden of personally dealing with the company's daily engineering challenges, the President was not quite ready

This Cincinnati-Forte slitter installed in the mid-1960s was one of the largest slitters available, capable of processing 20,000-pound coils up to forty-eight inches wide.

From planning to realization at the Los Angeles facility in 1966.

Top left: An order for bridge expansion joints is translated by Reliance into paper templates.

Top right: A photo-optically controlled "Mono Trak" flame-cutting machine follows the template at left to cut the pattern in steel plate.

Left: The finished expansion joint, ready for heavy traffic.

RELIANCE RUN

Bill Gimbel was an avid runner and took pride in his prowess. After a meeting in Santa Clara in 1970, Gimbel, then-Division Manager Joe Crider, and a young Sales Manager named Sorensen chatted about the running craze of the era and Sorensen claimed that he could run an exceptionally fast mile. "I bet you can't," Gimbel shot back. Letting his pride overcome his common sense, Sorensen countered, "I'll bet I can." Crider was not a runner and tried to stay out of it. But Gimbel drew him in. "I'll tell you what," he said, "Both of you go train for the next thirty days. I'll train, too, and then come back to race both of you." They accepted.

Crider later recalled that he and Sorenson "trained like mad" over the next four weeks. When the appointed time came, they raced Gimbel at the local high school track. Even though Gimbel was by far the oldest of the three, according to Crider, "he whooped us bad." But Gimbel was dissatisfied with his time. It was not as good as he would have liked. He resolved to do better next time but needed some motivation. Back at Reliance headquarters in Vernon, he announced an annual company track meet, both to share the benefits of running with his colleagues and to stir up some more competition. It was called the Reliance Run.

The first Reliance Run was held in July 1971 and Gimbel won the "miler" easily in six minutes and twenty-two seconds. Seemingly, no one in the company could beat him on the track, but Crider suspected that contestants were letting the boss win. He had taken up running since Gimbel's initial challenge and was also a fierce competitor. Crider knew that he could not beat Gimbel himself but found another way to convince the rest of the runners to truly challenge him. He planted a ringer in the second annual mile race in 1972. His "new employee" was named Michiko "Miki" Gorman and she ran for the Los Angeles Athletic Club. However, she also happened to be the women's world-record holder in the twenty-four-hour, 100-mile indoor marathon.

Joe Crider ahead of Bill Gimbel in the third annual Reliance Run.

When the starter pistol fired, Gimbel dashed into the lead, but soon Gorman flew by and left him in the dust. She never looked back and beat him handily, finishing in six minutes and four seconds. A deflated Gimbel crossed the finish line thirteen seconds later. "I listened as she sailed past, but couldn't hear a thing; no hard breathing, not even a swish," Gimbel lamented after the race. The following year, Gimbel improved his time to five minutes and forty-one seconds, but he never forgot his public defeat by Miki Gorman, nor did he forgive Crider for setting him up. It was all in good fun, though, and the two often shared a laugh about it.

Sometimes, Gimbel could not wait to get to a track when challenged. Crider later remembered that during one of his daily rounds through the warehouse, he stopped and chatted about his hobby with one of the foremen. The foreman asked, "How fast can you run?" Sensing an opportunity, Gimbel replied, "Oh, I don't know." The foreman then said, "I could outrun you." Gimbel retorted, "I doubt that." So they placed a bet, went outside, established start and finish lines, and then took off—Gimbel still wearing his suit and tie. The distance was about 150 yards, and Gimbel took an early lead. Near the finish line though, Gimbel tripped on his pants cuff and "fell flat on his face." The foreman caught up and won. Gimbel got up, dusted off his suit, paid off the bet, and walked back to his office, laughing all the way.

to give up the responsibility altogether. He enjoyed working side-by-side with the young engineer on major projects. These included reducing potentially harmful pollution from the plasma torch machine in 1969, and a three-year, $4.9 million redevelopment of the Vernon location, begun in 1973. Their partnership was profiled in a March 1978 *Pacific Factory* article highlighting Reliance's role as a technical trailblazer in the industry.

By the mid-1960s, the metals service center industry began to recognize Reliance as a national leader. This secured Gimbel's election as President of the National Association of Aluminum Distributors (NAAD) in November 1966. He also served a three-year term as a member of the Steel Service Center Institute (SSCI) executive committee in the late 1960s. Gimbel had represented Reliance in both organizations for years, but now, by taking on leadership roles, he helped shape the industry's nationwide agenda—in addition to developing new business opportunities.

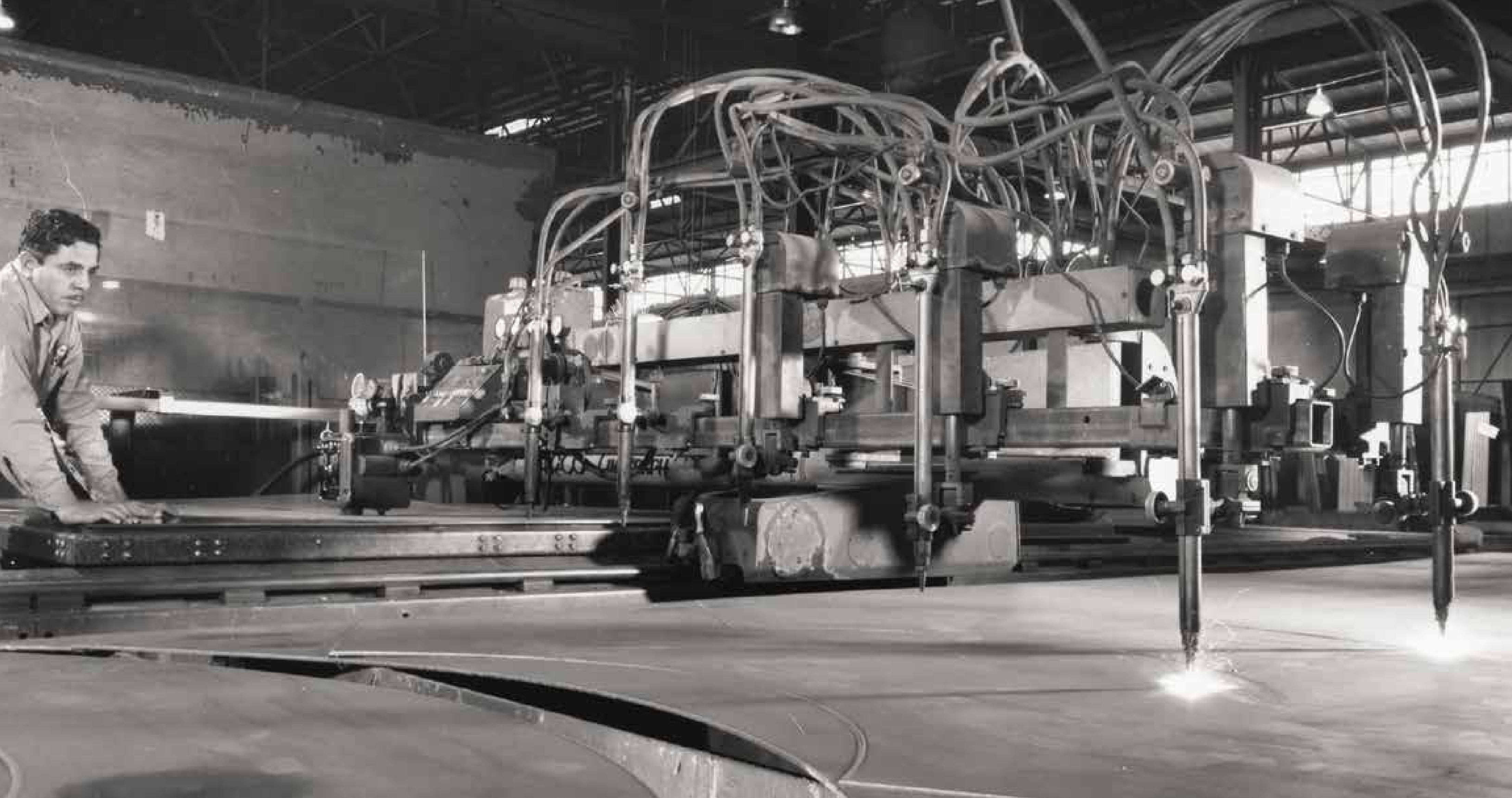
SUPRACOTE

One such opportunity was in the pre-coated sheet metal business. Steel and aluminum sheet metal products were customarily sold unfinished or unpainted. Improvements in paints and coatings in the mid-1960s made it technologically possible to pre-coat coiled sheet metal products in a variety of different colors, giving customers the option of eliminating post-delivery painting. This was particularly desirable in the mobile home construction and aluminum siding industries. With the 1960s housing boom underway, pre-coated sheet metal promised to become very profitable.

In late 1967, one of Reliance's major aluminum suppliers persuaded Gimbel to enter the pre-coated metal business. It

Gimbel's ascension to the presidency of the National Association of Aluminum Distributors made the cover of the December 1966 *Metal Center News*.

The SupraCote building in Cucamonga, California, shortly before its March 1969 opening. This bold attempt to market pre-coated coil stumbled due to unexpected competition and because other metals service centers were reluctant to buy from Reliance.



In an example of Reliance ingenuity in the late 1960s, an additional torch was mounted three feet ahead of another, enabling the operator to turn out oversized aluminum parts for giant cable reels in half the time otherwise required.

would be an expensive venture, costing nearly $3 million to build and start up a new facility, but Gimbel decided that it was worth it. Some of the Board members were not so sure. Bob Henigson recalled, "It was a very expensive proposition. We struggled with that for a long time because it was putting the company at very serious risk. If we didn't make it with that, we'd be in serious trouble." Gimbel overcame the Board's reluctance and in February 1968, he began planning construction of a new 52,000-square-foot coil-coating plant at a 16-acre site in Cucamonga, about thirty miles east of Los Angeles.

Ground was broken in July and the new facility opened in March 1969. Reliance named it "SupraCote" and appointed Francis D. "Frank" O'Neill Manager. This was the first coil-coating line west of the Mississippi River and one of the world's most extensive coil-coating operations, capable of

roller coating aluminum and steel sheet in coils up to sixty inches wide and weighing as much as 25,000 pounds. Virtually any type of coating or paint could be applied. Henigson was amazed by the technology. "The coating machine ran at about 300 feet a minute," he recalled, "and it would take these enormous rolls, unwind them and put them through a bath, paint one side one color, paint the other side another color, and then roll it back up. It was incredible," he exclaimed.

Unfortunately, Gimbel had been misled. The aluminum producer that had convinced him to build SupraCote had also urged a nearby competitor to engage in the same venture—without informing either about it. It was a brazen attempt to play two companies off against each other to keep coated metal product costs low. "Gimbel had analyzed it perfectly," Henigson insisted, "but he had never anticipated that there'd be another one down the street in competition with him. We had one hell of a time with that for about three years."

Competition or not, the pre-coated market turned out to be too much in its infancy. "We had the old chicken and the egg routine," Gimbel told the *Los Angeles Times*. "Nobody used coil coating because there was no capability of getting it done out here, and nobody started coil coating here because nobody used it." The production technology was also too new, so technical, quality control, and customer service issues plagued SupraCote's operations, antagonizing customers and generating ill-feelings toward Reliance. Small aluminum mills hesitated to place orders with SupraCote because Reliance's metals service centers were franchised distributors for the West Coast powerhouse, Kaiser Aluminum. Reliance's direct competitors also withheld business from SupraCote because they did not want to contribute to the parent company's increasing strength in the market.

SupraCote ended up costing Reliance almost $3 million more than originally estimated. It remained a troubled stepchild for nearly three years until Gimbel persuaded the manager of the competing coating firm, Lawrence E. Dwyer, to become SupraCote's new President and a Vice President of Reliance. Dwyer, a talented and capable manager, fixed SupraCote's operational problems and it started turning a profit the following year, much to Gimbel's relief.

By the end of the 1960s, Reliance had grown into such a large organization that Gimbel was having trouble keeping track of its increasingly complex operations. Further, Reliance was in an awkward position with its shareholders. Although it was highly successful, nearly all of its capital was tied up in its facilities, equipment, and operations, so dividends were not exceptionally generous. And, since the company was private, shareholders seeking liquidity had difficulty selling. The kind of expansion Gimbel hoped to carry out would likely make all of these problems worse. What he needed, therefore, was a new long-range plan for managing the company's capital structure.

Consequently, Gimbel huddled with his management team in late 1969 and came up with a bold new strategic plan for the next ten years, which the Board approved in March 1970. It was based on the idea of "de-aggregation." Gimbel hoped to spin off Reliance divisions in such a way that the unit managers would end up owning at least half of the resulting entities. This would not only relieve the managerial burden, but also generate cash that the company sorely needed. Gimbel also hoped it would preserve "the entrepreneurial fires that had stoked Reliance's growth." As a first step in implementing the de-aggregation strategy, in 1973 Reliance set up the SupraCote plant as its first formal

Joe Crider, left, leads a plant tour. A vetern of Drake Steel, Crider turned around the Fresno and Santa Clara operations before taking over the flagship operation in 1971.

subsidiary—an enterprise wholly- or majority-owned by Reliance that operates as a free-standing company. Gimbel believed that SupraCote was "a natural candidate" for an eventual spin-off, but as of yet it remained under the corporate umbrella.

NEW FUNDING, NEW LEADER

Establishing SupraCote was a step in a new direction, but it did not relieve the persistent corporate cash crunch. The financial situation was worsened by an economic slump in 1973 which made securing working capital more difficult. Traditionally, Reliance relied on bank loans to get through tough times, but now it was evident that Reliance would have to double its present $10 million debt and increase equity from $13 million to $34 million. Not surprisingly, Gimbel developed a "gnawing fear" that at some point in the near future he would exhaust "all the money-raising schemes we can pick out of the woodwork."

Reliance was now confronted with a difficult choice: put the brakes on growth, go public, or raise more debt. Slowing the growth rate of the metals service center business conflicted with Gimbel's "grow or go" philosophy—that was out of the question. But Gimbel also worried that if Reliance went public it would be at the sacrifice of privacy and some measure of control. Additionally, Gimbel worried that the metals service center industry was not adequately appreciated by investors and so a public offering would not generate sufficiently high share prices. There was little to do but keep borrowing. Gimbel and his fellow executives subsequently spent seventy to eighty percent of their time meeting bankers "with our hat in our hands," but no new credit was forthcoming.

Then, during a business trip, Gimbel struck up a conversation with a fellow airline passenger, who turned out to be an executive with Bateman Eichler Hill Richards, one of the largest regional securities and financial management firms in the western United States at the time. Gimbel chatted idly about Reliance during the flight, and was surprised when the man finally handed him his business card and said, "If you ever need any money, you should call me." With the Board's approval, Gimbel called his new contact at Bateman Eichler and negotiated a $7.5 million, 15-year loan from four insurance companies. Reliance got the loan, paid it off well ahead of schedule, negotiated and repaid another, and then another. Before long, the company was able to obtain private loans of more than $20 million to fuel its acquisitions and expansions. The thought that insurance companies might be viable alternatives to private capital had never entered Gimbel's mind before his encounter with

GIMBEL AND GOLF

In 1954 Reliance organized the first of its annual company-wide golf tournaments. The two-day event was usually hosted by the San Diego division and included golf, dinner, and fine camaraderie. It was open to any employee or Reliance family member and any friend of the company. Players typically included truck drivers, warehouse workers, plant managers, customers, suppliers, and other people who otherwise might never be seen together on a golf course. As a family-oriented company, Reliance encouraged participation and subsidized the cost. "It is a people business," Senior Vice President Bill Sales commented, "and since our folks are the greatest resource that we have, we want them to relax and have a good time."

But to the competitive Bill Gimbel, the tournament was about more than having a good time. While playing with Kaiser District Manager George Novotny and Distributor Representative Bob Gregory, Gimbel hit a hole-in-one, winning $50 for the feat. At another tournament, Bralco's contingent brought along two employees who had been on the professional golf circuit and Gimbel got frustrated when one of the pros, a young lady golfer, repeatedly drove the ball farther and more accurately than he did. Bralco Division Manager Mike Hubbart probably did not soothe his boss's bruised ego very much when he told him, "We hire our salespeople by their handicaps." "Mr. Gimbel never quite felt it fair that she should be able to start from women's tees," Hubbart later acknowledged.

Gimbel continued to play in Reliance tournaments even after his Parkinson's disease had reached an advanced stage. Georgina Gimbel drove him in a golf cart to within a few feet of his ball and then helped him walk over to it so that he could take a stroke. "The ball did not go very far," Hubbart recalled, "but he was there trying, determined that he was going to make it." And he kept going—through every hole. "That was a long day of golf," Hubbart said, "but nobody complained."

Bill Gimbel with business associates (left to right) Dale Barrett, Bob Wolf, and Bert Yancey at an early Reliance Golf Tournament.

In the Los Angeles metals service center in 1972, an operator uses push buttons to transfer freshly-slit coil from a vertical position to a horizontal position for packaging further down the line.

the Bateman Eichler executive on the airplane, but once Reliance tapped into those funding sources, the company never looked back.

While maneuvering to acquire new capital, Gimbel also had to make some key management changes. On June 30, 1971, Vice President Hank Thomas resigned from the company, leaving a large gap in senior management. This was problematic since Reliance's outside lenders insisted on a broader top management structure before providing the company with funds. Gimbel's two other Vice Presidents—Zurbach and Stringfellow—were not enough to satisfy them. The top management slot at the Vernon flagship operation had to be filled at once, and Gimbel thought that he had just the right man for the job—Joe Crider.

Gimbel had kept a close eye on Crider ever since their two-day jaunt around Fresno and in 1966 had appointed him Manager of the slumping Santa Clara division. "I brought that division around," Crider recalled, "and we were bringing in good money." Gimbel agreed. He now called Crider and asked, "How about a job in L.A.? Would you be interested?" Crider said, "I'd love it," and Gimbel replied, "Well, let's go right away." Crider moved his family to Los Angeles in the summer of 1971 and went to work troubleshooting the Vernon plant just as he had already done in Fresno and Santa Clara. "They had about twenty outside salesmen at that one location," Crider later remembered, and he spent time with each one of them. He found that "some were working hard and some weren't." Crider let the non-performers go, consolidated their territories, and soon had the outside sales force hopping. In 1972, Gimbel decided that it was time for another promotion. He called Crider and said, "I want you to come to corporate." Crider replied, "Well, I've still got a job to do here yet, and I don't have anybody to replace me." Gimbel agreed to let Crider wear two hats: as Vice President of Reliance and Manager of the Vernon plant. Crider accepted. "I had one foot in the warehouse and one in corporate," Crider said, "so I bounced back and forth depending on Bill Gimbel's needs."

Over the next three years, Gimbel delegated an increasing amount of his management responsibility to the younger man, effectively making Crider his "hired gun." They shared a personal chemistry and a keen business sense that made them a formidable team. "As we grew closer together," Crider explained, "we never agreed on everything all the time, but in all cases when our opinion was split, one or the other would eventually give and say, 'Okay, I'll support you.'" "Of course," Crider laughed, "I had to support him more than he supported me."

On one occasion in the early days, Crider and Gimbel went to a used equipment auction together. During the long drive to the site, Gimbel told him, "I don't need you to bid on the equipment. I'll do the bidding, and you just help me do the evaluating." Waxing philosophic, Gimbel further confided, "Don't be afraid to fail once in a while. If you're right eighty percent of the time, you will succeed in life. You're going to make mistakes. Believe me, I know." During the auction, Crider did his job while Gimbel did his. Soon into the bidding, Crider said, "Bill, we're there. That piece of equipment's not worth any more than that." Gimbel agreed and they returned home empty-handed. The same thing happened at another auction. This time though, after Crider halted his boss and the bidding went on, Gimbel absent-mindedly raised his hand to scratch his head. The auctioneer took it as a bid, slammed down his gavel, and barked, "Sold!" Reliance had accidentally won

the auction. "Bill, being the kind of guy he was," Crider explained, "wouldn't argue with the auctioneer, and so we bought that piece of equipment at a premium." On the way home, Gimbel laughed about it. He said, "You know, Joe, I always told you about that 80/20 rule. You can chalk this one up to the twenty percent."

In time, Crider eclipsed Bob Zurbach both as Reliance spokesman and as Gimbel's successor-in-waiting. Zurbach was understandably unhappy about it, but he remained a loyal Reliance officer until his retirement in September 1982. In August 1975, Gimbel named Crider Executive Vice President of Reliance and General Manager of Metalcenter Operations. From that point forth, Crider was Reliance's chief tactician, handling the day-to-day business of running the company, while Gimbel remained the strategist, focusing almost exclusively on the big picture. As Gimbel put it, "Joe makes the money, and I spend it." Ultimately, the duo became what *Metal Center News* called "the best known management team in the service center industry."

Crider's ascension came during a critical time for Reliance. The company reported a big operating loss in 1975, the result of a confluence of trends that began in 1972. By then, Reliance typically bought half of its carbon steel from domestic mills owned by Kaiser Steel and Bethlehem Steel and the rest from foreign mills. However, strict new statewide environmental legislation led Bethlehem Steel to pull out of the West Coast market in 1972. Kaiser Steel, meanwhile, was diverting most of its production to its own subsidiaries. There remained, of course, the largest domestic producer of all, U.S. Steel, but Reliance had long had a strained relationship with the steel giant—so it was effectively left without a domestic supplier.

Then, as Europe and Asia built up their economies, global demand for steel surged, causing prices to soar. Meanwhile, to counter inflation at home, the Nixon administration imposed price controls and froze domestic steel prices. By 1974, there was a gap of between fifty and one hundred percent in domestic and foreign steel prices. Isolated on the West Coast, Reliance was wholly dependent on expensive foreign steel even as East Coast competitors could purchase inexpensive domestic supplies. Worse yet, the foreign suppliers generally required large, fixed-volume commitments up to six months in advance of delivery at fixed prices.

During the last quarter of 1974, world demand dropped suddenly and Reliance was caught with high-priced inventories on hand and binding purchase commitments extending into June 1975. Many customers started canceling their orders and shopping for lower prices, leaving expensive inventory on Reliance's hands. Crider traveled to Japan to try and negotiate better purchase agreements but was unsuccessful. In the end, Reliance had no choice but to unload 50,000 tons of steel at a $6.5 million loss. The secure sources of funding that Reliance lined up enabled the company to weather the storm. Many lessons were learned from the experience, and Reliance has never reported a loss for any year since.

EXPANDING OUTWARD

Meanwhile the company had continued to expand through acquisition, with mixed results. In 1970, the company bought Catalina Steel in Los Angeles, its seventh corporate acquisition in ten years. In 1972, Reliance acquired Southern Equipment & Supply Company, San Diego's oldest metals service center. Reliance invested $1.8 million to double the

Reliance helps propel the first digital wave. This operator is producing eleven-inch "rounds" from magnesium tooling plate using a high-precision contour machine. The rounds went into computer equipment produced in the 1970s.

Joe Crider and Bill Gimbel, described by *Metal Center News* as "the best known management team in the service center industry."

size of the operation and began planning to expand its territory into Mexico.

One of Gimbel's priorities during the mid-1970s was to strengthen the company's position in Texas, where high petroleum prices were fueling industrial growth in the oil patch. "We had spent probably two years trying to buy out somebody," Gimbel reported, "but at the time there was a big boom there, and everyone felt the streets of Houston were paved with gold. Finally, in January 1975, Reliance opened its own 56,000-square-foot metals service center. Although the venture began with high hopes, the Texas site ultimately failed to meet expectations. Houston's economy went up with oil prices in the 1970s, but came down along with them ten years later. The location closed in the 1980s. Ironically, it was later purchased by Earle M. Jorgensen Company, which later became a Reliance subsidiary, and so it went full circle.

As Reliance was getting into Houston, it also made its first move east of the Mississippi River, purchasing the Steel Products Company in Atlanta for $2.5 million in 1975. Reliance hoped to use this Atlanta division as a base from which to move into the Southeastern states, a growing market as industries moved from the recently dubbed "rustbelt" to the more promising "sunbelt." But Atlanta also proved to be a mistake. The operation there was riddled with problems and never profitable; Reliance eventually sold it in 1987. Moreover, it was soon evident that the Atlanta base was just too small to use as a beachhead. "We learned a lesson in Atlanta," Gimbel reported. "If we're going to go further east, that probably means the Chicago area. And you don't move into Chicago on a shoestring."

Another element of Reliance's strategic plan for the 1970s was entry into the specialty metals business. Reliance was already selling low-grade structural tubing—it was, in fact, the company's highest-margin product. Gimbel wanted to develop the ability to produce even higher-quality specialty tubing that would command even higher prices. Reliance began looking for a company in the high-quality specialty tubing business that it could acquire to meet that goal.

The first talks were with Kilsby Tubesupply in 1967 and 1968. Reliance negotiated with two other companies, but each time the deal fell through. Then, in early 1976, a second chance appeared when the manager of Kilsby's Los Angeles operation, Donald M. Hollar, contacted Gimbel. He proposed heading up a new Reliance-backed high-quality tubing company. Hollar was an expert in the field, but wanted a fresh

start beyond Kilsby. Gimbel was intrigued and instructed him to gather some preliminary data for the Board of Directors.

In April 1976, Hollar returned with the numbers and a formal proposal for a new division within Reliance. It would have the same status as a metals service center, with Hollar serving as Manager and reporting directly to Gimbel. The plan called for construction of a 44,000-square-foot facility in Santa Fe Springs, California, north of the Santa Ana Freeway and east of Route 605. The cost was an estimated $3 million. The Board approved the plan in May, and Tube Service Co., opened later that year. This first step in a strategic push towards "specialty stores" was an instant success. Reliance opened a second Tube Service location in Milpitas, California, three years later.

Reliance acquired its second specialty store in 1977 with the purchase of Bralco Metals, a processor of brass, aluminum, and copper products founded in 1946 in Pico Rivera, California. In 1978, Reliance bought the Los Angeles branch of Meier Metal Service Center and merged it with Bralco. Two years later, Reliance acquired Foucar, Ray & Simon, a specialty tube distributor in Hayward, California. But that specialty operation could not survive on its own and two years later was consolidated into the Reliance Santa Clara division. "Foucar was probably the second oldest service center in California, with a good reputation," Gimbel later explained. "They'd done well over the years, but I guess they'd gotten rigor mortis. We thought that we could change all that." He continued, "We tried and tried to change it, and it didn't work. So we had to admit defeat and close up the place." A Portland, Oregon, branch of Foucar, also purchased in 1980 and renamed Reliance Metalcenter, fared no better and was eventually closed.

In July 1979, Reliance began looking ahead towards the next decade. In a strategic concept paper, Gimbel suggested that the time was right to conduct a tax-free spin-off of the SupraCote subsidiary to Reliance shareholders. After more than a year of planning, the spin-off took place in February 1981. The spin-off provided that anyone owning stock in Reliance received one share of SupraCote for every share of Reliance that they owned. Over time that changed as people bought and sold SupraCote and Reliance shares independent of each other. Six years later, the new shareholders sold SupraCote to Broken Hill Properties at a significant profit.

The SupraCote spin-off also capped two decades of tremendous growth and technological improvement for Reliance. At the time, the company was the third largest metals service center company on the West Coast, just behind Earle M. Jorgensen and Ducommun. It had a book value of $23 million, but its liquidation value was at least double that. The company stocked over 6,000 items in state-of-the-art racking and retrieval systems and served more than 10,000 customers. Twenty years before, Gimbel had developed many of his plans alone, but now, with Joe Crider taking on a greater role, management began developing new plans that would bring Reliance to even greater success in the decades ahead.

Bill Gimbel, about the time he gave his Copper and Brass Service Center Association speech.

GROWTH IN A TIME OF TRANSITION

1981-1994

In the spring of 1983, Bill Gimbel stood before the annual meeting of the Copper and Brass Service Center Association to deliver a speech on the "Changing Role of the Metals Distributor." He began with a wide-ranging survey of the transformation of the industry, touching on everything from the shop floor technological improvements to global financial innovations.

The domestic steel industry was shutting down in the 1970s, which compelled both the U.S. economy and Reliance to adapt.

Then, drawing upon insights and experience developed in one of the most illustrious careers in the business, Gimbel projected where the industry might be going, emphasizing the need for multi-sourcing, more specialization, the "unbundling of manufacturing," and, above all, ever-greater flexibility. "Obviously I'm bullish about the future of our industry," he concluded. "It's up to each of us in the industry to develop our strategic plan to capitalize on the growth opportunity." This was, in some respects, Gimbel's "mountaintop" speech, describing a world that he knew was coming, but one that he might not live to see. By then he had made Reliance a nationally recognized leader in the metals service center industry. He knew that his company could grow further and prosper in the coming years, but he also knew that it would be up to a new generation—guided and counseled, of course, by the old—to make it happen.

A PROBLEM OF SUPPLY

Gimbel's "bullish" outlook was, perhaps, all the more remarkable because Reliance had just been through some tough years adjusting to the decline of the domestic steel industry and the rise of foreign suppliers. It was an old story. American producers had never fully recovered from the 1959 nationwide steel strike. For years afterward, struggling domestic firms complained that foreign exporters—especially the Japanese—were "dumping" steel, charging below-market prices and undercutting their business. They were right to an extent, but the truth of the matter was that much of the U.S. industry's problems were of its own making. While U.S. producers delayed investments and paid ever-higher costs, European and Asian industries raced ahead, building more and more efficient and nimble mills. By the 1970s, the U.S. mills were closing and taking hundreds of thousands of jobs with them. Congress and a succession of administrations were eager to help, imposing new regulations and enacting increasingly stringent laws governing the importation and pricing of foreign steel. These were misguided efforts: they only sheltered inefficient and moribund producers for a time, and in the process hurt companies like Reliance, which had come to rely on imported steel since the early 1960s.

The latest blow was the Carter administration's January 1978 implementation of the "trigger price mechanism" (TPM) system, which provided that imported steel could not be sold below a level established by the U.S. Treasury without precipitating an anti-dumping investigation against the offending foreign producer. TPM caused more problems for U.S. consumers than it solved for producers. In response, the Japanese scaled back exports to the United States by twenty percent, creating a shortage in the metals service center industry and generating political pressure to end TPM. During a meeting of the Association of Steel Distributors, a Carter administration official admitted that TPM's framers did not anticipate the problems that it had created. "The Treasury Department has just realized the extent and variety of roles filled by distributors," he acknowledged. Still, he insisted, when it came to solving the crisis in the metals service center industry, it was "beyond our ability to help."

With Reliance's carbon steel flat rolled business at stake, Bill Gimbel was livid. "The U.S. Treasury Department plans to ignore the plight of the independent domestically owned service centers," he informed the directors. "If this represents the attitude of the government towards us," he fumed, "then we had best take steps to protect ourselves by whatever legal means we can." Reliance Vice President Bob Zurbach conducted an analysis of the TPM regulations and devised a work-around. He suggested that Reliance consider incorporating a foreign-based trading company in Nassau, Bahamas, to purchase steel on the world market for resale in the United States at "trigger" prices.

Gimbel liked Zurbach's idea but never approved the foreign trading company scheme. Reliance did, however, begin allocating most of its expansion funds to specialty metals and started segregating carbon steel from other product lines. Meanwhile, management also considered spinning off the Vernon carbon steel operation, which, due to the steel industry's decline, had become the least profitable segment of the business. In 1980, Reliance split off the aluminum and stainless steel operations in Vernon, and moved them to a newly-built 77,000-square-foot plant in Cerritos, which it called Metal-Center. The Los Angeles location retained the carbon steel operations and prepared for a possible spin-off, but held back

"SOMEONE WITH A LITTLE FINANCIAL BACKGROUND"

In 1971, Leslie A. Waite was a freshly-minted MBA working for Pacific Mutual Life Insurance Company. His area of expertise was private placements—the issuance of debt or equity to a small number of select investors. One day an offering brochure came across his desk for a company named Reliance Steel & Aluminum Co. Up until then, Reliance had funded its growth either by bank loans or through earnings. But Bill Gimbel was convinced that it was "grow or go" in the metals service center industry. The company needed deeper pockets, so Reliance was trying something new—a "note offering" involving the placement of debt with insurance firms. Waite was intrigued and became deeply immersed in Reliance's first private placement working on behalf of Pacific Mutual, one of several participating insurance companies. The first one yielded $7.5 million dollars; additional private placements followed, and so the company's growth was funded for the next thirty-two years.

Les Waite

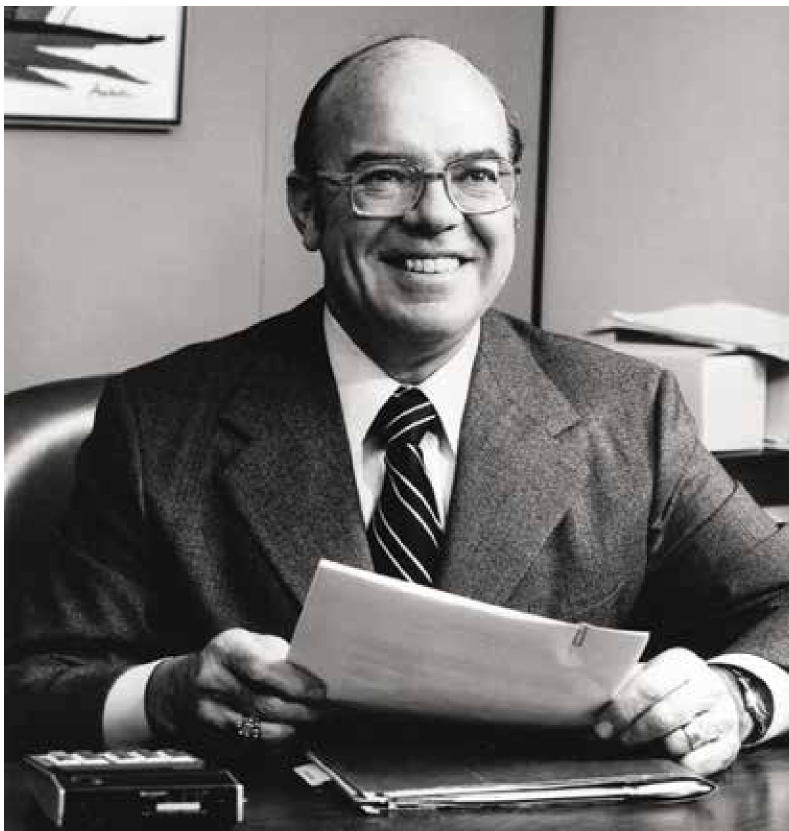
Pacific Mutual, it turned out, was the only West Coast insurance firm to participate in the private placements—the rest were in Massachusetts and New York. So although Waite was just one of several players in that first deal, he was soon working very closely with Reliance officers themselves, settling easily into the role of consulting financial advisor. Whenever Reliance needed to adjust the terms of one of its placements, Waite received a call from Bob Zurbach. "We need to change one little thing," Zurbach would begin. "How do we do this? Is it easy to do?"

In 1977, when Reliance Director and banker Harlan Robinson died, Bill Gimbel made a telephone call of his own. "We need someone with a little financial background and someone younger," Gimbel told Waite. "Would you consider coming on the Board?" Waite had the requisite financial background: during his career he worked for several prestigious investment advisory firms, even founding one of his own. He was indeed young, unusually so for a director of a major corporation. As of 2014, Waite has given Reliance thirty-eight years of financial expertise, bringing the insights and experience gained during the days of private placement to bear in the age of public offerings. In addition, Waite has provided the Board with priceless knowledge of equity markets and investor perspective gained from running investment funds. "It's been an amazing ride for me to see how this company has grown and grown with style and integrity and honesty," he commented.

due to new projections of a worldwide steel shortage in the mid-1980s. In a twist on Zurbach's thinking, Gimbel concluded that a "tie-in with a foreign source" might ensure uninterrupted supply and make the carbon steel venture viable. The source he had in mind was Japanese firm Mitsui Co., Ltd.

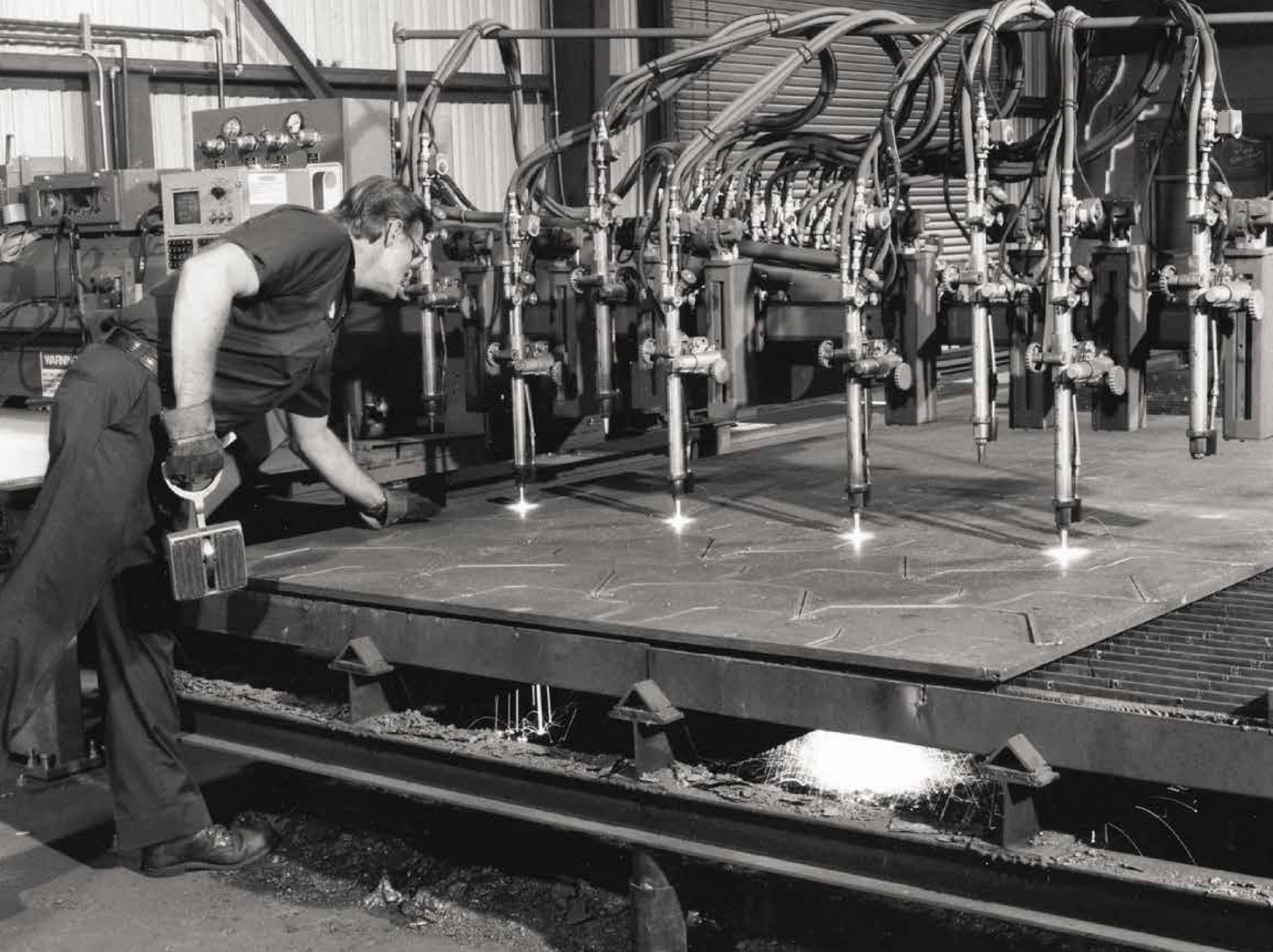
Mitsui was a large and venerable trading company that brokered sales for Japanese steel producers. Reliance had bought most of its foreign supply from Mitsui since the early 1960s, so the two companies were solid business partners. Executive Vice President Joe Crider regularly visited Mitsui's client mills and reported back on their plans and operations. In the mid-1970s, as inflation and domestic plant closures took a toll on the domestic industry, Mitsui helped keep Reliance in the carbon steel business.

TPM notwithstanding, Gimbel knew that Mitsui wanted to align itself with an American company in order to secure its position in the Southern California marketplace. Since Reliance wanted to lock in a steady steel supply at a fair price, it looked like a good opportunity for a joint venture. "Reliance's actual dollar contribution to the venture will be



One of Bob Zurbach's last big projects for Reliance was coming up with a way to deal with the 1970s price controls on steel.

At the outset of what seemed a promising partnership with Mitsui, Bill and Georgina Gimbel (foreground) host a reception held for Mitsui officials in 1980.



Producing identical steel shapes with an early computerized flame cutting table in 1982.

minimal," Gimbel promised the Directors, "and the probable return very attractive."

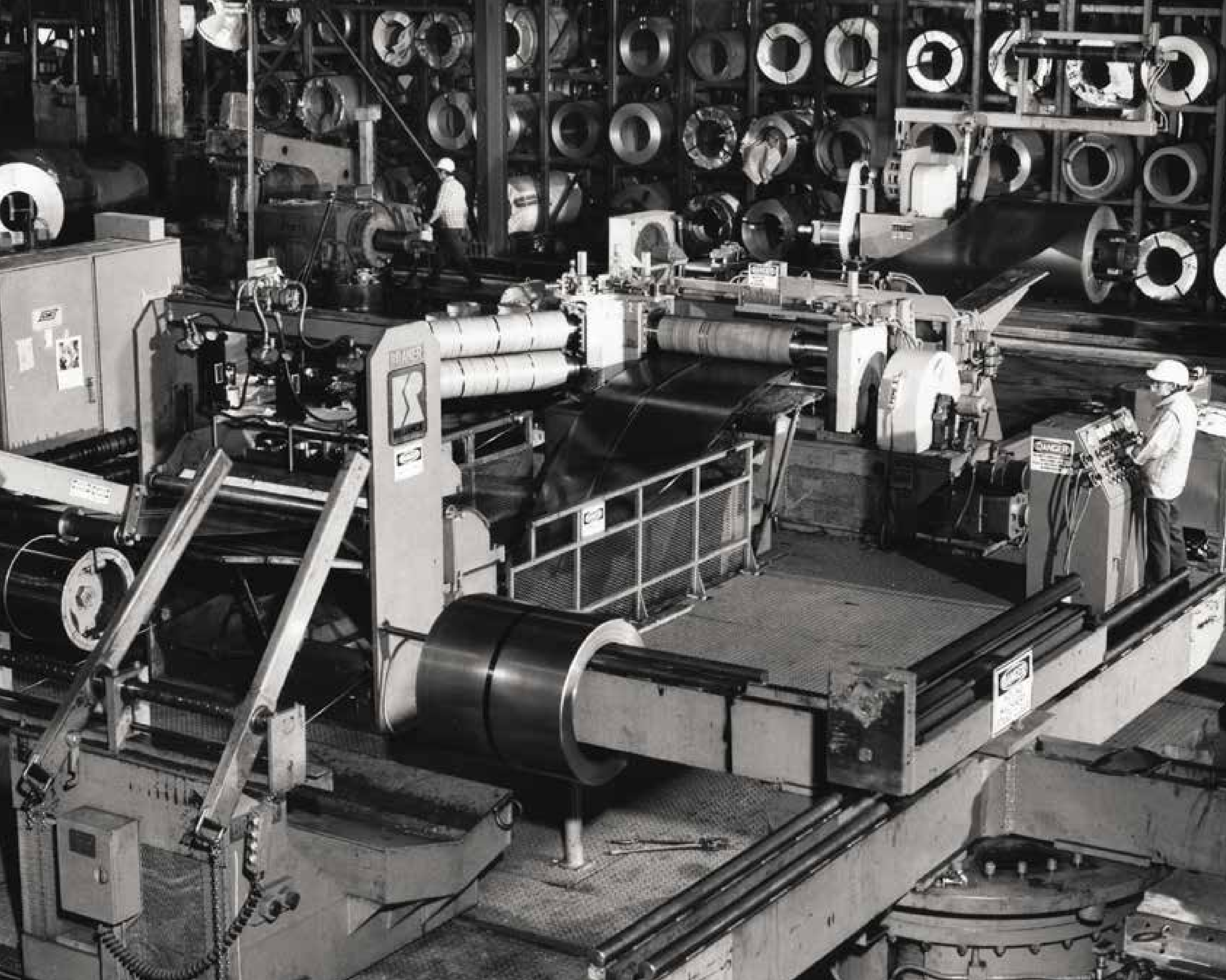
With the Board's blessing, Gimbel came up with a plan that he believed would be mutually beneficial to Reliance and Mitsui. It called for Mitsui to buy the Vernon real estate and then lease the property back to Reliance. In a jointly held corporation, Mitsui would provide property and capital, Reliance the equipment and manpower. The new corporation would be capitalized through a cash contribution of $4.7 million by Mitsui. Reliance agreed to contribute $200,000 in certain fixed assets and the value of its legal status as a "going concern," estimated at $4 million. It retained ownership of most of the machinery and equipment, however, leasing it back to the joint venture. In effect, Reliance was exchanging a struggling division for a half-interest in a wholly new subsidiary co-owned by a global trading giant.

Gimbel presented his proposal to Mitsui in early August 1979. On August 24, Mitsui Senior Vice President Hiroshi Ohara informed Gimbel, "We are seriously interested in the basic concept as described in your proposal." He forwarded it to Tokyo for further consideration. Several months of intense negotiation ensued, and in early December, Reliance and Mitsui announced that they had struck a deal. The fifty-fifty joint venture began operating as Reliance Steel Company, Inc. on January 2, 1980, at the site on 27th Street in Vernon. It was managed primarily by Reliance officers, with Bill Gimbel as President and Joe Crider as Executive Vice President. The Vernon General Manager, William E. Beilharz, stayed on as a Vice President, while Los Angeles division employees were transferred to the new organization. Mitsui provided a single Vice President-Controller to manage its interests.

The joint venture lost money from the start due to the severe recession that hit the United States in early 1980—the result of rising oil prices, as well as the high interest rates intended to stanch inflation. The steel industry was crippled and, although the Carter administration suspended TPM in March, for several months red tape kept the venture from purchasing steel products at world market prices and selling them at a profit. The record high interest rates, meanwhile, added high debt service costs to the already heavy losses and strained the relationship between Reliance and Mitsui. There was no chance for improvement as long as the world economy remained chaotic, and so the joint venture verged on bankruptcy.

In October 1981, Gimbel informed the Reliance Board, "I have been deeply concerned about the poor showing of Reliance Steel Company, Inc., and have given a great amount of thought to the options available to us." None of the options was particularly good. The partners could continue to operate the plant at a loss until the economy improved. They could recapitalize the venture—at a cost of $3 million. Or one of them could give up. Gimbel considered selling Reliance's fifty percent interest to a third party, but that would have risked antagonizing Mitsui. He decided that buying Mitsui out and repurchasing the property in Vernon was the best alternative, but that required capital that Reliance did not have.

In a meeting the following month, Gimbel learned that the Japanese were also looking for an honorable way out. Mitsui also believed that a Reliance buyout was the best solution to the problem, and was willing to take a one-time loss of $4 to $6 million to make it happen. In early 1982, Mitsui agreed to sell its interest in the venture to Reliance Steel & Aluminum



One of the slitting lines in operation at the Vernon flagship plant.

Co. for $1.00, while continuing to lease the real estate of the company. The transaction was concluded and the joint venture ended in May 1982. It was a difficult period, but the strong working relationship between the companies survived: Mitsui remained Reliance's largest supplier of Japanese steel. Still, Gimbel sorely regretted the dissolution, telling *American Metal Market* in 1984, "Gosh, I sure didn't want that Mitsui thing to break up."

BUILDING THE TEAM

Reliance took back sole ownership of its Los Angeles carbon steel business just in time for the nationwide economic recovery that began in December 1982. The crisis was over, but margins in the carbon steel business remained thin, so Reliance assumed a lower profile in the marketplace. "We purposely walked away from quite a bit of business," Gimbel explained, "Reliance has learned that it can't be everything to everybody."

Reliance learned two other hard lessons from the Mitsui joint venture. The first was that the metals service center industry was increasingly linked to an emerging worldwide marketplace. International politics and finance were going to have to be taken into consideration during strategic decision-making if Reliance was to continue to grow. In his early 1983 Copper and Brass Servicenter Association speech, Gimbel observed, "We're shifting to a global economy." "Those who can make the change will survive and prosper," he predicted, "while those who cannot won't be around." The "grow or go" philosophy of the 1960s had evolved into "change or go" by the 1980s.

It was also evident that the business was becoming too complex for Reliance's current management structure. As sales exceeded $200 million and acquisition deals became ever larger, financial matters occupied more and more management time—mostly Gimbel's. For nearly forty years, Secretary-Treasurer Bettie Littell had watched over Reliance's finances. Littell was a fine bookkeeper, but by the 1980s large corporations needed much more than good accounting and reporting and chief financial officers were taking on the bigger tasks involving capital structure, risk management, and financial planning. The Mitsui joint venture convinced Gimbel that Reliance needed a CFO to negotiate the transactions and to watch over the balance sheet. There was only one man for the job, as far as he was concerned, a young accountant named David H. Hannah.

David Hannah became Reliance's first Chief Financial Officer in May 1981.

Dave Hannah was born in Detroit in 1951. When he was eleven, his parents moved the family to Indio, California, a small desert community near Palm Springs. During his high school and college summers, he worked as a grocery clerk. He won a scholarship to the University of Southern California in 1969 and majored in finance and accounting. While at USC, Hannah took an internship at Ernst & Ernst, one of the original "Big Eight" certified public accounting firms. He went to work full-time there after graduating in 1973. "I liked the business world," Hannah recalled, and "I liked accounting." He became a crack auditor at Ernst & Ernst and was soon on a partnership track.

Reliance was a longtime Ernst & Ernst client. In 1980, the lead executive for the Reliance account asked Hannah

to help with that year's audit and soon afterward resigned, leaving Hannah to step up and finish it. Gimbel and Crider appreciated the high quality of his work. "Dave was the best young auditor we had ever seen," Crider recalled, "and we were getting big enough where we needed a CFO." With the Mitsui joint venture veering toward collapse, the demand had become critical. Gimbel offered Hannah the CFO position.

Hannah demurred. He was happy at Ernst & Ernst, was going to be a partner soon, and had no real interest working in the metals service center industry. He promised to help Gimbel find somebody else.

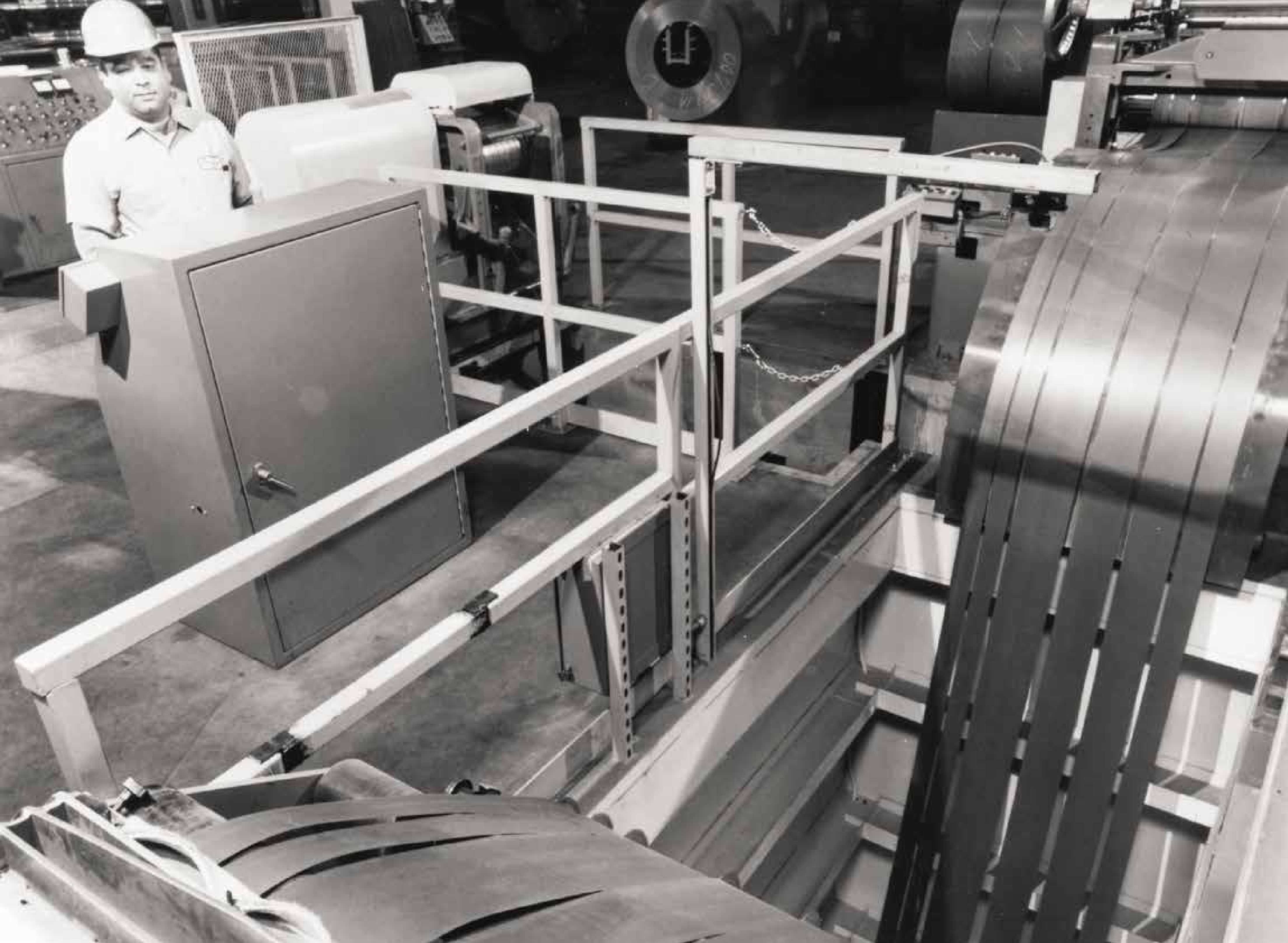
But Gimbel was not so easily rebuffed. He undertook a subtle campaign to change Hannah's mind. "He kept asking me different questions about what I liked and why I liked what I was doing," Hannah later remembered. "Eventually he allowed me to convince myself that I'd be better off coming to work for him." This difficult decision was made easier by simple internal demographics. A look at Reliance's management roster indicated that Hannah was twenty-two years younger than the next oldest officer, Joe Crider. "So I thought that if I don't screw up too badly I could have some opportunity here," Hannah said. He told Gimbel that he did not intend to be CFO forever. "Bill, if I come to work here, I'd like to think that I could sit in your chair someday," he said. Gimbel replied, "Well, that's going to be up to you, isn't it?" That was enough for Hannah, who became Reliance's first CFO in May 1981.

Hannah was soon immersed not only in finances but also in operations, working shoulder to shoulder with Joe Crider. "I got involved in everything that there was to be involved in," Hannah said. That included closing out the Mitsui joint venture in 1981 and participating in the acquisition of the Coeur D'Alene Steel Service Center (CDA) in Salt Lake City, Utah, the next year. CDA was a carbon steel processing facility for bar, structural, plate, and sheet products. Serving Nevada, Idaho, Wyoming, and Colorado, it netted between $150,000 and $200,000 but lost about $20,000 per month. The CDA acquisition made sense: Reliance had long been considering a move into Salt Lake City, and it appeared that the oil industry would soon be expanding in the area. If Reliance could fix CDA it would be a good investment. "The market is small, but the potential is great," Gimbel insisted. Joe Crider and Don Hollar were enthusiastic about the potential of a small plant in Salt Lake City, and so Gimbel and Hannah made the deal. The purchase price was $1.12 million and the transaction included the 20,000-square-foot facility, all of CDA's inventory, and a 2.5-acre plot.

AGGRESSIVE GROWTH

In April 1983, with Dave Hannah now performing the financial analysis, Reliance continued its aggressive growth through acquisition strategy. Circle Metals, owned by George Heuser, was a distributor of aluminum and stainless steel products based in Carson, California, with another facility in Phoenix. Reliance closed the deal to acquire Circle Metals for $8.5 million. The Phoenix location was merged into Reliance's existing operations. The Carson plant, meanwhile, was consolidated into MetalCenter in Cerritos to create the largest flat-rolled aluminum distributor on the West Coast. Heuser became Division Manager at MetalCenter.

Heuser had some trepidation about selling his company, but he was pleasantly surprised to learn that the Reliance management did not merely allow him to maintain the autonomy that he was accustomed to—they encouraged



Operating a slitter at MetalCenter, Inc., which at the time, was the largest flat rolled aluminum distributor on the West Coast.

it. Within a year, MetalCenter reported market share thirty percent greater than that of both warehouses combined prior to the merger. "When we merged the Carson and Cerritos divisions," Heuser later told *Metal Center News*, "we were able to demonstrate a new mathematical principle: one plus one equals three."

The success at MetalCenter provided Gimbel with something that he had long been seeking: an opportunity to replicate the SupraCote spin-off. Reliance spun its Cerritos division off as MetalCenter, Inc. (MCI) in a non-taxable private stock transaction in April 1986. Joe Crider was Chairman and Chief Executive Officer, George Heuser became President and Chief Operating Officer, and Dave Hannah was Chief Financial Officer. The company was one-hundred-percent-owned by Reliance shareholders and its employees were encouraged to participate in a newly established employee stock ownership plan (ESOP) with provisions that they could become principal owners in time through future stock purchases at reduced cost. The new firm was valued at $13 million and sales were projected to reach $62.7 million by 1989, with net pre-tax annual profits of $2.2 million. Reliance showed a reduction in net worth of $3.5 million, representing the initial capitalization of MCI.

In the summer of 1983, Klockner, Inc. of New York, the trading arm of the Dusseldorf, West Germany-based Kloeckner-Werke A.G., decided to close its carbon steel firm located in Fremont, California, called Tricon Steel & Aluminum Company. Even though he was planning for retirement, Tricon President James W. Rimmer did not want to see the company liquidated. He let Gimbel know that the company would soon be available. Tricon's plant covered 7.5 acres, with 62,400 square feet of workspace. This looked like a good opportunity to tap into the heavy industrial and high technology sectors in the San Francisco Bay area, and so Reliance completed the $3.6 million acquisition in early May 1984. Reliance Manager Jim Falvey took over as President of the newly renamed Tricon Steel Service. After concluding the transaction Reliance moved all of its hot rolled carbon steel bars, structurals, sheet, plate, and tubing, along with the cold rolled and galvanized sheet products from the Santa Clara division, to Tricon, transforming Santa Clara into a non-ferrous specialty metals center.

The Tricon acquisition was not without some bumps. Two years afterward, a metals company in Birmingham, Alabama, also called Tricon, challenged Reliance's right to the name. The Alabama firm claimed nationwide federal trademark protection even though it did very little business in California. Bob Henigson sprang into action. In a year-long series of exchanges with the Birmingham company's attorney, he defended Reliance's right to keep and use the Tricon name. Henigson claimed prior use as early as 1970, when the Fremont operation was called "Tricon Steel & Pipe," antedating the Alabama company's original trademark filing and rendering the complaint moot. In the spirit of good business, Reliance offered to compromise by changing the name if the Alabama Tricon paid for the cost of changing all signage, branding, logos, invoices, and stationery in the Fremont territory; the proposal was rebuffed. Instead, the Alabama firm insisted that Reliance prove the geographical area of claimed prior use, which was prohibitively expensive. In the end, Reliance out-litigated the Alabama adversary and kept the Tricon name.

Another 1984 acquisition involved the laminated metal business of Arnold Engineering, a unit of Allegheny International Inc., located in Fullerton, California. Reliance bought

This Herr-Voss cut-to-length leveling line installed at the Los Angeles division was one of the capital investments Reliance made during the 1980s.

Arnold Engineering for more than a $1 million in cash, renamed it Arnold Technologies, Inc., and moved the operation to Anaheim.

By then, Reliance was spending about $5 million a year—double its earlier rate—on equipment for the rapidly growing organization, which by then was up to seventeen divisions. Among the investments were three cut-to-length leveling lines and two Acra-Cut milling saws. One of the leveling lines was installed at the Los Angeles division, another in Santa Clara, and the third at the Dallas/Fort Worth division. Tricon received a $400,000 automated storage retrieval system, a saw for bar and structural cutting, a fifth overhead crane, and additional flame cutting equipment. Santa Clara and Phoenix each gained one of the new milling saws, which could cut six-inch by twelve-foot plate to a squareness tolerance of +/- .004-inch. Bralco in Pico Rivera got a $200,000 narrow aisle tracking system serviced by a five-ton capacity sideloader.

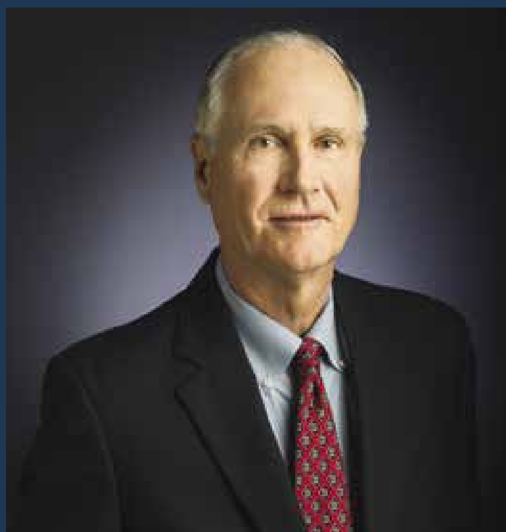
Acquisitions accelerated in the mid-1980s. Reliance bought a steel processing plant in Union City, California, from All Metals, Inc. in April 1985. In July 1986, Reliance bought the assets of Lafayette Metal Service Corporation in Long Beach.

Two months later, Reliance acquired Valex Corp. in Ventura, a producer of high-purity stainless steel components used to build the gas piping systems in semiconductor

VOICES FOR THE INDUSTRY

Reliance has long been an active leader in prominent metals service center industry trade organizations. The first and most important of these was the Steel Service Center Institute (SSCI), founded in Cleveland, Ohio, in 1907. SSCI provided its members with a number of important services including industry statistics, education, market analysis, negotiation assistance, and lobbying support with government agencies and elected officials. In early 2000, SSCI moved its headquarters to Chicago, Illinois, the Midwest's chief industrial and financial hub. A year later, in February 2001, SSCI changed its name to the Metals Service Center Institute (MSCI) in an effort to broaden its member base and to acknowledge that service centers now generally processed and distributed a far broader range of metal products than just steel.

Reliance has enjoyed a great deal of influence within SSCI/MSCI. Bill Gimbel and Dave Hannah have both served as Chairman. Reliance Board member Andrew Sharkey was working as the SSCI Director of Education in 1979 when its executive committee—which included Bill Gimbel and Earle M. Jorgensen—asked him to become the new SSCI President. Sharkey took the job, but his predecessor, who had become Vice Chairman, opposed him at every step. Finally, Sharkey had enough and called Gimbel, who had since become Chairman of the SSCI board. "Bill, this is just an untenable situation," he fumed. "If I'm going to run this outfit, you've got to get rid of him." Sharkey then threatened to quit and go back to his former occupation, teaching school. After a long pause, Gimbel replied "Okay," and hung up. Sharkey was perplexed. "Well, what does that mean?" he asked himself. "Leave and go back to teach, or he's going to take care of it?" Sharkey later learned that Gimbel had dismissed the Vice Chairman right after the call.



Andrew Sharkey

Another major trade organization that Reliance supported over the years was the Philadelphia-based National Association of Aluminum Distributors (NAAD). This was an organization created in 1951 to serve aluminum processors and distributors the same way that SSCI served steel service centers. Both Bill Gimbel and Joe Crider held senior leadership positions in NAAD and helped steer the organization through several tough business cycles. While the use of aluminum increased in the 1990s, especially in automobile manufacturing, industry consolidation took its toll on the organization, as its membership dropped from ninety companies in 1997 to seventy-three in 1999 to 66 in 2002. The trend was clear: NAAD was dying.

MSCI was also seeing its membership decline due to industry consolidation and the severe economic slump of the early 2000s. In October 2002, a majority of NAAD's membership voted to join MSCI as that organization's new Aluminum Products Division (APD). The merger was completed by November and proved nearly seamless. Sandy Nelson of Earle M. Jorgensen Company, who was MSCI Chairman at the time, said, "Having a voice that encompasses the whole industry should have more impact than we've had by speaking separately."

The merger was a success. Bill Sales became an MSCI Director in 2011 and by the time he was Chair of its Aluminum Products Division two years later the organization had grown to include 400 members operating in 1,500 locations throughout the world. All are well represented, along with the Reliance family of companies, by current MSCI Chairman Dave Hannah.

plants. Tube Service Co. Sales Manager Dan Mangan was Reliance's chief expert on the semiconductor industry at the time and was, therefore, very interested in the Valex opportunity. "It didn't take Reliance long to make the decision to buy Valex," Mangan stated. "Reliance had the instinct to recognize an opportunity and the wherewithal to follow through and make the most of it." Former owner Robert L. Rains continued as President of Valex for a time, but Reliance also contributed its own expertise by sending Mangan to the Valex enterprise. He succeeded Rains as President and COO in 1993.

That same year, Reliance took a big bite out of a longtime competitor, Ducommun Metals Company, purchasing its 4.7-acre Phoenix metals service center for approximately $4 million. Reliance expanded the former Ducommun facility to 100,000 square feet and moved its existing Phoenix operation there. In December 1986, Reliance acquired a Livermore, California metals service center from Capitol Metals Company, which was merged into the expanding Tricon plant in Fremont, California. Meanwhile, Reliance's Bralco division bought Ducommun's Los Angeles operation for $2.5 million in cash.

In 1987, Reliance purchased the inventory and assets of the Russell Steel Division of Van Pelt Corporation in Arlington, Texas, and rolled them into its Dallas/Fort Worth division. The acquisition not only strengthened Reliance's position in Texas, but also expanded its product line to include tubular products, a Russell specialty. To accommodate the new business, Reliance expanded the Dallas/Fort Worth facility by about one-third, bringing it up to a total 72,000 square feet of floor space. In Albuquerque, Reliance also acquired the city's leading metal service center, Morris Steel & Aluminum Company, including its 5.5-acre site, for $2.5 million.

A selection of corrosion-resistant high-purity valves produced by Valex for gas piping systems, primarily in the semiconductor industry. Reliance acquired the company in 1986.

Bill Gimbel's early 1960s invention had come a long way by 1988, when Reliance division Tube Service Co. installed the first automatic storage and retrieval system of its kind.

In 1988, Reliance took over part of another competitor when it acquired Earle M. Jorgensen's coil and sheet processing division in Los Angeles for $7 million. This facility was consolidated with Reliance's Los Angeles division. In line with the policy of separating metal product lines, Bralco opened a new division that was augmented by the non-ferrous inventory transferred there by Reliance Phoenix, which maintained its carbon steel business. Tube Service Co., meanwhile, installed the first automated tube handling system of its kind in the nation and opened a new branch in Tempe, thereby expanding Reliance's Arizona territory. In 1989, Reliance bought the carbon steel assets of Gate City Steel in Albuquerque from Valmont Industries of Valley, Nebraska. As Reliance celebrated its fiftieth anniversary that year, sales topped a record $350 million, boosted by a strong national economy.

Dave Hannah later described the strategy behind these 1980s acquisitions. "We always paid attention to what the companies did and what their reputations were," he said. "Mostly in those days the only companies that were available were small, troubled ones. They either were mismanaged or they didn't have the financial capability to stay independent." If Reliance believed that the prospective companies could be fixed then it bought them, and subsequently ran them as separate divisions under Reliance managers, refinanced them, or integrated them into existing operations. "It was really just buying the assets of those companies and their customer lists," Hannah explained. "We did that, on average, a couple a year between the time I started in '81 until 1994."

SHOP FLOOR AND EXECUTIVE OFFICE CHALLENGES

All of this good news was tempered by a tragic accident at the Vernon plant, followed by a three-year investigation and trial. During the night shift on July 22, 1985, a twenty-two-year-old employee was crushed to death in the recoiler of a steel slitter.

As required by law, Reliance conducted an internal investigation and officially reported the death and the circumstances surrounding it to the proper city, county, and state authorities. At the time, the city of Los Angeles was cracking down on violations of the Occupational Safety and

Safety was always a Reliance top priority, but efforts were stepped up after an accident at the Vernon plant in 1995. This sign stood by MCI's sixty-inch Red Bud blanking system for aluminum and stainless steel.

Employee with hard hat, goggles, and gloves, actively "thinking and practicing safety" at Bralco.

Health Act (OSHA) of 1970. For years the city had complained that OSHA's criminal sanctions were rarely applied and that even the most egregious violators received light punishments and little follow-up. Only a few months earlier, Los Angeles District Attorney Ira Reiner had established an OSHA section in his office and ordered that all work-related fatalities be investigated as potential homicides.

When the Los Angeles district attorney's office learned of the death, it launched a homicide investigation and executed a search warrant for the Vernon plant. Prodded by the Los Angeles Committee for Occupational Safety and Health, a deputy district attorney filed criminal charges against Reliance and some members of its management team.

The trial was held in early 1988 and the jury returned a guilty verdict. Nobody went to jail, but the defendants were placed on probation. Reliance was ordered to pay $60,000 to the University of California Labor Occupational Health Program for the development and distribution of an industry safety program and to develop a model safety and health program for its own operations. The program included the employment of a full-time qualified safety and health professional, designation of a plant safety chairperson, the creation of a comprehensive joint employer-employee health and safety committee, the requirement for a safety consultant to conduct a detailed job safety analysis for each piece of equipment, daily safety inspections, a prohibition on inserting cardboard into steel slitters, and detailed training requirements.

Dave Hannah was responsible for collecting safety statistics at the time and remembered the accident and its aftermath well. "It was an awful experience," he said, "and it was something that we all learned a lot from. We thought we were serious about safety before, but we got really serious after that." Reliance hired a full-time professional safety engineer. Today, the company has an entire department dedicated to promoting and improving safety in all of Reliance's divisions and subsidiaries and has developed a safety program that is the benchmark for the entire metals service center industry.

LONGTIME LAW FIRM

The Los Angeles law firm of Lawler, Felix & Hall handled much of Reliance's legal work since 1957 and was home to longtime Board member Bob Henigson and Reliance's first General Counsel, Kay Rustand. The firm was founded in 1911 by prominent Los Angeles attorney and former U.S. Assistant Attorney General Oscar Lawler. James E. Degnan was Lawler's original partner, and they opened their civil practice as Lawler & Degnan in Los Angeles' old Security Building at the corner of 5th and Spring Streets. Max Felix joined the firm in 1929, and it became Lawler & Felix when Degnan retired in 1938. When John M. Hall came aboard a year later, the firm was renamed Lawler, Felix & Hall.

Over the years, Lawler, Felix & Hall provided legal representation to some of the West Coast's most important businesses, including Standard Oil of California, Western Union Telegraph Company, and Farmers & Merchant National Bank. Cowboy comedian Will Rogers was Lawler's most famous client during the 1930s. In 1957, Reliance became a permanent client when Thomas Neilan hired the firm to represent his company.

The firm merged with Cleveland-based Arter & Hadden in 1989 to become Arter, Hadden, Lawler, Felix & Hall. Founded in 1843, Arter & Hadden was one of the oldest law firms in the country and was embarking upon an ambitious nationwide expansion program. The Lawler, Felix & Hall name was retired in 1993, and the consolidated firm's name reverted back to Arter & Hadden. Arter & Hadden was the lead securities counsel in the 1994 Reliance IPO, performing extensive due diligence—going back in the Reliance minute books all the way to 1939—to prepare the initial draft of the prospectus and registration statement. Arter & Hadden was integrally involved in finalizing and filing the IPO documents. It was a coordinated effort with long hours and multiple "all hands" meetings, discussing the best approach to accomplish the goal of selling Reliance's stock in order to provide a public market for the employees and family and friends who had come to own the stock over the years.

Through the rest of the decade, the firm was integrally involved with Reliance's acquisitions—including the necessary filings with the Federal Trade Commission. By the late 1990s, Arter & Hadden had expanded from about seventy lawyers to a national firm with 465 lawyers in a dozen offices in Ohio, Texas, California, and Washington, D.C. But the firm failed to handle this growth and closed its doors in July 2003. Lawler, Felix & Hall's legacy remains alive, through Bob Henigson and Kay Rustand's continuing strong relationship with Reliance. "I have thoroughly enjoyed working with Dave and more recently Karla on over fifty acquisitions to watch Reliance grow from a California-based, family-owned company to a multi-national, Fortune 500 Company," noted Rustand.

Lawler, Felix & Hall attorney Bob Henigson, left, with Robert Zurbach in the mid-1960s.

"It starts at the top," said Hannah, and "goes from our Board all the way down through to the floor of the shop. We are serious about safety."

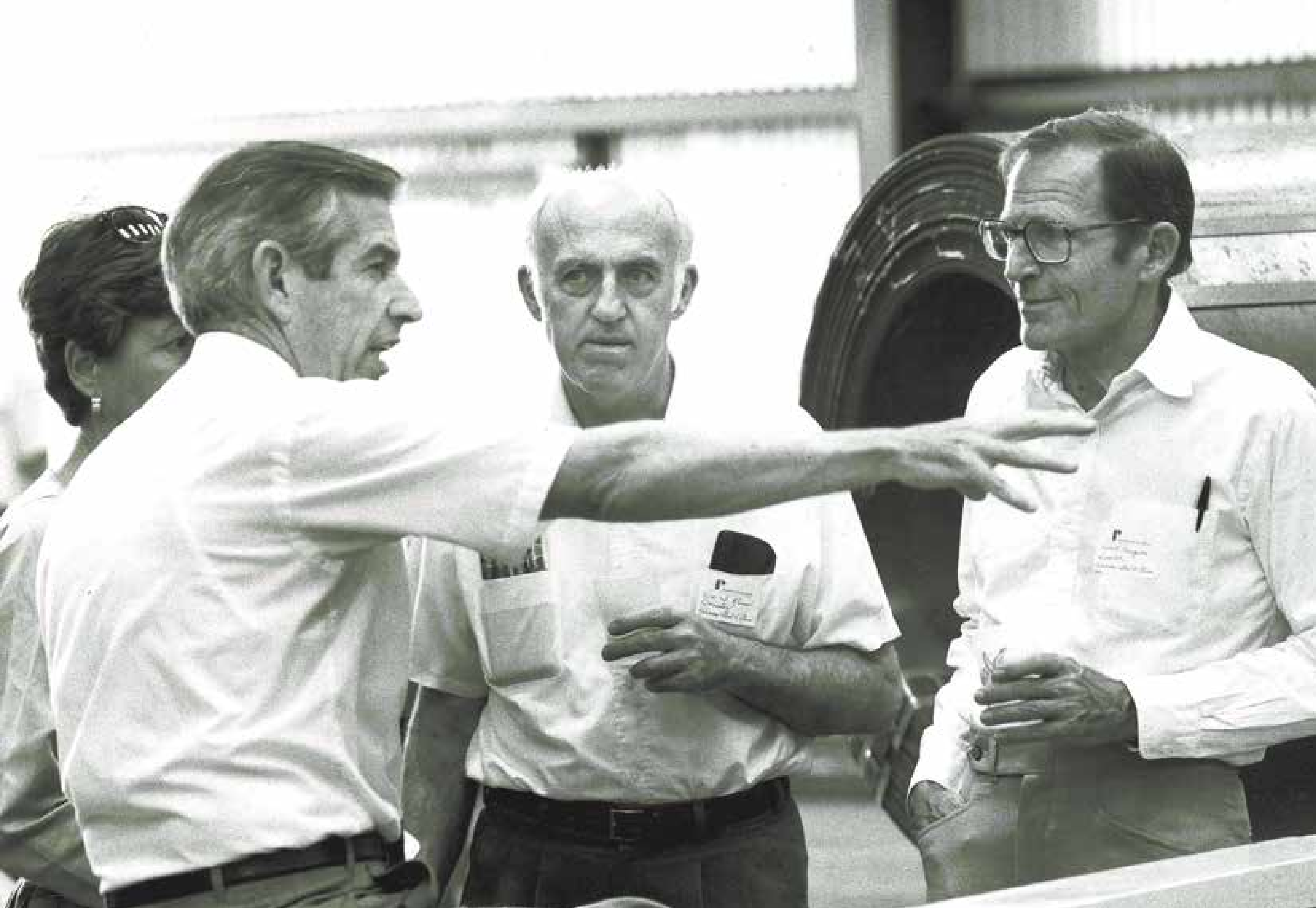
Soon Reliance had reason to be serious about Bill Gimbel's health as well. One morning during the mid-1980s, Joe Crider walked into Bill Gimbel's office to find his boss sitting at his desk, with a big smile as usual, but struggling to do some paperwork. Crider realized that Gimbel was in distress and asked, "Bill, what's wrong with you today?" "I don't know but I can't write this right now," Gimbel replied. Crider looked at the paper and saw that Gimbel's handwriting had become abnormally tiny, cramped, and almost illegible. It was a condition called micrographia. Alarmed by what he saw, Crider pressed his boss to see a doctor—Gimbel's family had been urging him to do the same thing. He acquiesced and underwent some medical tests. The diagnosis was devastating. Gimbel was experiencing the onset of Parkinson's disease—micrographia was a classic symptom. Over time Gimbel could expect to lose his mobility and his ability to perform everyday functions such as speaking, walking, and caring for himself. He had some big decisions to make.

On January 26, 1987, at age sixty-eight, Gimbel resigned as President of Reliance after almost thirty years in the job. He did not let his condition force him into retirement, though. He was still among Reliance's largest shareholders, along with his sister, Florence Neilan. Gimbel moved up to become CEO and Chairman of the Board. The Board elected Joe Crider the new President of Reliance. He was also named Chief Operating Officer, a position that he had held *de facto* for the past twelve years.

Crider was prepared to take over the company, but he was himself fifty-eight years old and thinking ahead to his own

Joe Crider, left, with Bob Zurbach, center, in the 1980s. Crider became President of Reliance in 1987.

retirement. Unsure of how long Crider would serve as President and how long Gimbel could effectively remain active in the company, the two men began planning for the future management of the company. Hannah was the clear choice, but he did not have any operations experience, so Gimbel and Crider suggested that he go out and actually run an operation to learn how that end of the business worked. In August 1989, Hannah took over as Division Manager of the Vernon flagship plant for a year. "It was an eye-opening experience," Hannah later recalled. "It is easy, sitting in corporate headquarters, to tell the divisions what to do. Doing it is difficult." John F. Jastrem filled in for Hannah as Reliance CFO, while also serving as CFO for subsidiaries Valex, MetalCenter, Inc., and Arnold Technologies Incorporated.



As Crider assumed leadership of Reliance, he was assisted by the longtime directors, including Bill Rumer, center, and Bob Henigson, right. Note the trademark cigars in Rumer's pocket.

During Hannah's stint managing the Vernon plant in 1989, there was a sharp downturn in the economy, causing prices and profit margins to drop. "That was an education—a whole other world," he said, "trying to manage margins and inventories in a down cycle." Gimbel and Crider let him take his lumps, but Hannah thought that it was a "very good experience" since "Joe and Bill allowed me to take chances, make some mistakes, and learn from them." Hannah returned to the corporate office in 1990 and resumed his CFO duties. But he was now a wiser and more experienced manager and better understood the challenges and nuances associated with metals service center operations.

COMPLETING THE TEAM

While putting Hannah through his paces at Vernon, Gimbel and Crider were also looking for a candidate for the Chief Operating Officer position. The best one was an ambitious young man at Crider's old plant in Santa Clara who seemed to be doing everything right. Gregg J. Mollins was born in 1954, grew up in the Oakland area, and went to work after high school for Earle M. Jorgensen. He started in shipping and receiving but worked his way up to manage purchasing, credit and claims, buyouts, and inside sales. Mollins left EMJ after four years and, following a brief stint in construction, went to work for Ducommun in outside sales. In 1981, another company named Lusk Metals

lured him away to work as an outside salesman and then as General Sales Manager.

After five years at Lusk, Mollins felt constrained and decided that he wanted to start his own company. There was one problem though—he did not have the money. He knew of Reliance's reputation for providing a good entrepreneurial environment and especially for building up and spinning off divisions. In 1986, he asked Gimbel and Crider if they would back him in a new enterprise. Amused by Mollins' audacity, Gimbel pointed out the obvious flaw in his plan: he was unable to contribute anything to the proposed venture except himself. Instead, Gimbel offered Mollins the opportunity to become Division Manager at Santa Clara. The operation was then losing money and Reliance needed a sharp, aggressive manager to come in and fix it.

It took some negotiation, but Mollins accepted Gimbel's offer and reported for duty in September 1986. "They basically said, 'Here's the keys, turn it around, make money, and we're there for you when you need us,'" Mollins recalled. "That suited me just fine." A "hands-on" operator, Mollins had no trouble enlisting help at Santa Clara and he successfully turned it around. During the process he grew to appreciate how Reliance handled its divisions and treated its people, and he realized that he had finally found a permanent home with the company.

Gimbel and Crider allowed Mollins to "season" in Santa Clara while they further developed their succession plans. Finally, in 1991, they invited him to move down to Los Angeles and to become Crider's understudy with the promise that, if things worked out, he would soon become the Chief Operating Officer. Mollins later reflected on his qualifications. He knew that one of his chief advantages was that he "had been around and experienced several different environments—Jorgensen, Ducommun, Lusk." "Gregg came from the operational side, just like I did," noted Crider. "He was very, very good in operations. Dave came from the financial side. He was very, very good at that. So the combination made them a great team."

During this time of transition other talented individuals began emerging to complete the new management team, including Corporate Secretary and Office Manager Yvette Schiotis. Originally from Neuilly, France, Schiotis joined Reliance in October 1967 as an outside sales secretary. Her husband was in the U.S. Army and had been transferred from Europe to California. Schiotis initially thought that they would be in Los Angeles for only a short time before the family rotated out again. When her husband was deployed to Vietnam and Korea, places that she could not go, Schiotis decided, "Well, I have a career here. I might as well stay since I like the people, I like the company, and I like what I'm doing." So she stayed on with Reliance—for forty-one years.

Schiotis started out working in the Vernon office for Sales Manager Clyde Wellman and his boss, Vice President and Vernon Plant Manager Hank Thomas. After she was promoted to Corporate Office Manager, she worked directly with Gimbel, Controller Bob Zickerman, and Secretary-Treasurer Bettie Littell. Littell became a mentor, and Schiotis later described how she worked: "She kept the books. She could tell you where we spent five dollars and where we spent ten dollars. She had everything in those books. They were huge, heavy ledgers, and she kept them as long as she could, because she was so used to them."

Widowed since age thirty-seven, Littell was unusually dedicated to her job, coming to the office most days at 5:00

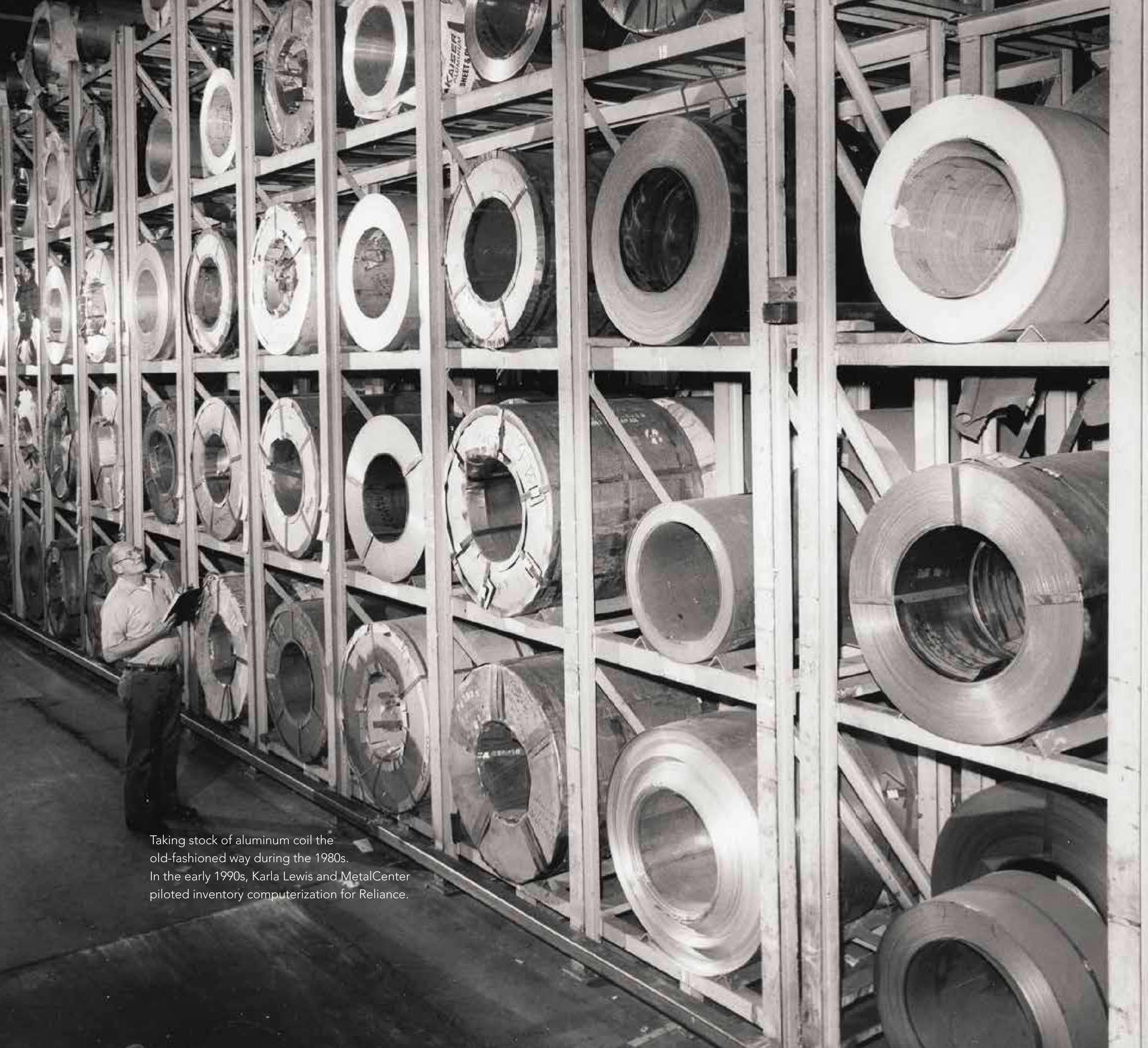
Outside sales secretary Yvette Schiotis, left, and bookkeeper Bettie Littell in the 1960s, at the outset of their long working relationship. Schiotis replaced Littell as Corporate Secretary in 1991.

a.m. and remaining until after dark. She had no plans to retire, insisting to Schiotis, "I will die with my boots on." After Littell's health began declining, Schiotis became Assistant Corporate Secretary. One of her tasks was to make sure that Littell, who was now working only part-time, went home each day. "She was there at five, six o'clock in the morning until one o'clock," said Schiotis, "and you had to push her out." Each day at one o'clock, Schiotis would say, "Mrs. Littell, it's time for you to go home." "Oh, is it already?" Littell would ask mournfully.

By 1991, Littell's memory was failing. Gimbel took her out to dinner and said "Bettie, for your own safety, you have to retire." It was an act of sincere compassion, but Littell was crushed. The very next morning she turned in her keys and ledgers and left, never to return. The disappointment was evident in her formal resignation letter to Gimbel. "This is the most difficult task you have assigned to me, and I have not found it easy to comply willingly," she wrote. Schiotis took over her duties full time and became Executive Corporate Secretary until retiring in 2008.

Another rising star during the transition was Karla R. Lewis (then McDowell), who joined Reliance in 1992 as Corporate Controller. Born and raised in the small farming community of Millersburg, Ohio, Lewis graduated from Ohio State University in Columbus with a Bachelor of Science degree in Accounting and became a certified public accountant. "I always knew I wanted to be a businesswoman in a big city," she said, and from an early age, she began investigating which city she wanted to go to. She decided that New York was too dirty and that Columbus was too close, so during her senior year in college, when she was entering a professional accounting internship program, she settled on sunny Los Angeles. She interned at Ernst & Whinney (formerly Ernst & Ernst) and worked on the Reliance audit. After graduation, she moved permanently to Los Angeles and went to work full-time for Ernst & Whinney.

Lewis worked the Reliance audit for four years and got to know many people within the company, including Hannah himself. In 1992, one of the new joint venture companies needed a controller, and Hannah thought that Lewis would



Taking stock of aluminum coil the
old-fashioned way during the 1980s.
In the early 1990s, Karla Lewis and MetalCenter
piloted inventory computerization for Reliance.

do a good job. He knew that she did not want to spend her entire career in public accounting, so he discreetly asked her to interview for the open position. On reflection, however, Hannah decided that he needed Lewis more at the Reliance corporate office. Bob Zickerman had recently retired, leaving only Hannah and Accounting Manager Louise Newman to handle corporate finance. Hannah told Crider, "You know, I actually want Karla to work here." Crider was not sure, but Hannah insisted. Crider deferred to his CFO, and Hannah tendered the job offer to Lewis. She accepted and became Reliance's Corporate Controller.

As it happened, the first job that Lewis undertook was not in accounting but in replacing Reliance's obsolete information technology system. Reliance had bought its first big computer system in 1973, a $485,000 IBM mainframe that filled an entire room. In the early 1990s, a time when personal computers were revolutionizing business, Reliance was still in the informational Dark Ages. Records were generated by noisy deck writers spitting out endless reams of green and white paper. Orders and receipts were stowed in bulky ledgers. The system could do the basic tasks but provided managers with very little operating information of value. The IT department, recalled Lewis, "consisted of three or four people on this old mainframe. Basically if anyone in the field called in and asked for something, the IT people would say, 'We don't want to do that' and hang up."

Hannah suggested that Lewis start by making the IT staff friendlier. Crider said, "You know what? There is a lot of technology out there. Our computer is from the seventies. It's now the nineties and maybe we should consider doing something about it." Lewis accordingly shopped for and selected a new computer system. She then spent most of her time at MetalCenter, Inc. in Cerritos, where the new system was pilot tested. "It was a great experience for me," Lewis recalled. "I was out on the warehouse floor training all those people on all the different areas of the new system." Meanwhile, Lewis learned a great deal about the company's operations, its customers, and the industry, which laid the groundwork for a bigger role in company leadership. Once the new technology was installed and the employees were trained, Lewis returned to Hannah and said, "You know, Dave, this has all been great, but I would really like to be an accountant. I am not asking for anything really glamorous, but can I do my real job that I was supposed to do?" Hannah welcomed Lewis back to the corporate office.

THE PATH TO GOING PUBLIC

While Reliance was identifying and recruiting new leaders, it continued to integrate new technology into its operations. The ongoing company-wide capital investment and modernization program was stepped up in late 1988 with the installation of a $1.5 million blanking line capable of holding extremely close tolerances at the Vernon flat-rolled carbon-steel facility. At a time when the national economy was slumping and West Coast distributors were cutting prices and squeezing margins, the move seemed counterintuitive. "We took a big risk when we put the machine in," Crider acknowledged, "but the line has opened new markets that were previously closed to us." In 1990, Reliance spent $10 million on capital improvements, including the purchase of the $2 million leveling system for Tricon Steel Service, and expansion and modernization of the Reliance Metalcenters in Portland, Oregon, and Salt Lake City, Utah. "If we were to abandon our current philosophy of keeping those facilities

By the early 1990s, Reliance had learned that the key to success, as Bill Gimbel (left) put it, was to "combine the flexibility and efficiency found in a small operation with the financial stability of a large one." That was behind the acquisition strategy implemented by Joe Crider (right) after 1994.

ultra-modern," insisted Crider, "we would lose market share, and we don't intend to have that happen."

By then, however, every metals distributor in Southern California was losing business, as their chief customer—the aerospace industry—was experiencing an extended downturn. Some might have taken this as a sign that it was time to retrench, but Reliance determined that it was all the more important to grow and diversify. It was necessary, as Crider put it, "to judge companies based on their customers. We can't have exposure to one industry." But gaining access to new markets through expansion would be fruitless if Reliance could not compete effectively in them, and Reliance had long ago learned that the best way to do that was to keep operations lean and independent. "We've found over time that the bigger operations get, the less efficient they become," Bill Gimbel told *Metal Center News*.

The goal, therefore, was to "combine the flexibility and efficiency found in a small operation with the financial stability of a large one." Flexibility was safeguarded by the Reliance practice of having a manager in charge of a plant and making sixty the magic number for employees working at a given operational unit. "Managerial responsibilities become greater than one person can competently address beyond this point," Crider explained, "and you start building layers of management." As Reliance redoubled its efforts to diversify through acquisition it resisted the temptation to centralize. Instead, Reliance top management maintained a light touch, delegating authority to the separate business units so that they could serve their local markets as efficiently and with as much flexibility as possible.

In 1990, Reliance acquired the Phoenix operations of Heflin Steel, along with operations in both Phoenix and Los Angeles belonging to Mollins' former employer, Lusk Metals.

Reliance merged the Lusk operations into Bralco's Los Angeles and Phoenix metals service centers. In 1991, Reliance bought Smith Pipe & Steel in Albuquerque, and merged it into the existing Reliance Metalcenter in that city. Early the following year, Reliance and Feralloy West Company created a new joint venture by consolidating Reliance's Los Angeles division and the Tricon Steel Service division in Fremont with Feralloy's steel processing centers in Pittsburg, California, and Fontana, California. The joint venture was named Feralloy Reliance Company, LP, and the Fontana and Pittsburg facilities were integrated into Reliance's Los Angeles and Fremont divisions.

Reliance entered into yet another joint venture in September 1992, this time with American Industries, forming American Metals Corporation to serve California's Central Valley. Reliance contributed its Fresno division and $1.4 million cash to American Metals, while American Industries contributed operations in Redding, Oakland, and Sacramento. Each partner took a fifty percent interest in American Metals. The joint venture went operational the next summer, at its heart a $10 million, 110,000-square-foot, newly-built metals service center in West Sacramento. Also in 1992, Reliance made its first foray into the Midwest by purchasing the National Aerospace Division of National Steel Service Center in Wichita, Kansas, which stocked aluminum plate, sheet, and coil for the aerospace industry. It was renamed Reliance Metalcenter Wichita. The next year, Reliance acquired the fixed assets of the eighty-year-old Colorado firm, Supperstein Steel, which became Reliance Metalcenter Colorado Springs.

Even as these promising new acquisitions were made there were disappointments as well, some small, some large. Among the former was Arnold Technologies in Anaheim, which had to be closed in 1990. And among the latter was MetalCenter, Inc. in Cerritos. It had moved into a new state-of-the-art, 142,000-square-foot facility in Santa Fe Springs that same year, just as a nationwide recession set in. Shipped tonnages dropped by eleven percent, profits fell, costs rose, and the employee-owners could not cover them. Bankruptcy and liquidation were on the horizon. Reliance acted fast to save MCI, buying out the shareholders and returning it to the Reliance fold first as a subsidiary and eventually as a division. Within a few years MCI had recovered and had begun to expand, integrating the fixed assets and inventory of Eureka Metals Inc., which specialized in aluminum aerospace components, in 1993.

As the decade approached its midpoint, there remained plenty of opportunity for Reliance to continue its acquisition drive. A large number of metals service centers had been established in the postwar years, some quite large, and those founders who had not yet sold out and retired were increasingly eager to do so. This presented opportunities for further national expansion by acquiring well-run, profitable businesses. Strong management was in place, with solid customer relationships allowing the businesses to generally continue to operate as they had prior to being a part of Reliance. All Reliance required was the financial wherewithal to make these more sizeable acquisitions. That was becoming harder to obtain, however, because debt financing was increasingly risky in the volatile global marketplace and Reliance, as a private company, could never obtain much new equity.

Reliance management, therefore, began seriously considering making an initial public offering of stock. This meant selling a large number of shares to investors to raise the new capital and transforming Reliance from a private company owned by a few into a publicly traded company owned by

An operator and coiled steel at Feralloy Midwest in Portage, Indiana. Reliance formed a short-lived joint venture with Feralloy during the 1990s. The company later came back into the Reliance family as a subsidiary of PNA.

Although MCI faced tough times after moving from Cerritos to Santa Fe Springs, the company recovered, in part by adopting the latest technology. Pictured, a technician uses a bar code scanner on stainless steel sheet as part of the quality control process.

many. In years past, whenever the subject had come up, going public had always been dismissed. Gimbel worried about loss of privacy and control, and Crider believed that Reliance shares would only fetch pennies on the dollar in the open market due to the industry's stodgy reputation. Ultimately, both men were probably just too comfortable owning their own business. As Crider put it in 1991, "The trouble with going public in metals distribution is that you have to give your company away."

Dave Hannah disagreed. He believed that an IPO would not only make it possible to make some larger acquisitions, but that it would also provide Bill Gimbel and his family with an exit strategy. "With Reliance as a public company," he later explained, "we felt that they could then sell their shares into the market and not burden the company with the responsibility to buy the shares back from them."

Knowing it was a tough sell, Hannah laid the groundwork carefully. Arter & Hadden, Reliance's longtime legal counsel,

would be essential to structuring an initial public offering. But Reliance needed additional help as well, so Hannah turned to Doug Hayes, the West Coast representative for the investment firm Donaldson, Lufkin & Jenrette (DLJ). Hayes had opened DLJ's Los Angeles office in 1986, and had already talked with Reliance's managing trio about conducting an IPO for one of Reliance's subsidiaries. Hayes believed that a corporate IPO made sense, and soon he and Hannah were meeting regularly with Gimbel and Crider—sometimes together and sometimes alone—to determine what an IPO would mean for Reliance. Hayes later recalled that the conversations centered on such issues as "what they could expect, what was required, the kinds of things that public companies had to put in place to meet expectations, what the value of the company would be, how going public would affect the families' shares, what the limitations were on owning or selling the family shares, and the likelihood of an unfriendly takeover." Hayes had the answers to all of the questions, and Gimbel and Crider agreed that the time was right to go public.

In the spring of 1994, Hayes and Hannah laid out their plans for the Reliance Board. The Directors approved. Yet one hurdle remained. Executives planning an IPO were obliged to undertake a "road show," which meant traveling to give formal presentations of the Reliance portfolio and financial data to investors around the country within a very short period of time. Several presentations a day, often in different cities, were the norm. It was an exhausting duty even for those with the hardiest of constitutions, but it was unavoidable.

Unfortunately, Bill Gimbel's illness was reaching an advanced stage. Although his mind was still sharp, he was unable to sit up in a chair unassisted, much less travel or speak publicly. Nor would the CEO's condition be a selling point for potential investors. Crider, Hannah, and Hayes talked it through and the verdict was unanimous. As Hayes put it, "We had to make Joe the CEO of the company so that he could do these presentations around the country."

Neither Crider nor Hannah wanted to bear the bad news to Gimbel, so they nominated Hayes to do it. Hayes later admitted, "My whole shirt was wet with the thought of sitting in front of Bill and saying this to him." When Hayes finally mustered the courage to tell him that it was time to go, Gimbel confounded him by looking up with his usual grin and replying, "Well, it's about time. I was expecting you to come in and tell me that. How do we want to do it?" That was the end of the conversation.

Gimbel resigned in May 1994, and the Directors elected Crider CEO in his place. The Board also agreed to issue $51.7 million in stock for public purchase. Crider and Hannah then went on the road that summer to sell it. Their sales "hook," as Hayes designed it, was that Reliance was a wonderfully managed company in the vibrant western U.S. market that supplied "just in time" products to lots of small customers through lots of transactions. It was an unusual business model but one that had worked for many years. Reliance was better capitalized and larger than its smaller, family-run competitors and it offered better service and delivery, as well as a wider variety of products. Reliance therefore was dependably profitable and its stock was a great investment. The hook set deep. Potential investors were intrigued by what Crider and Hannah were offering, and prospects looked good. It did not hurt when, in August, Reliance purchased certain assets of Affiliated Metals, which expanded the company's footprint in the Salt Lake City area.

THE BROKER BEHIND THE IPO

Donaldson, Lufkin & Jenrette (DLJ) was the investment banking and brokerage firm that managed Reliance's 1994 IPO. Founded by William H. Donaldson, Richard Jenrette, and Dan Lufkin in 1959, DLJ was established as a "Research First" shop to fill a major hole in the financial industry at that time: the lack of in-depth research and analysis to provide buyers with the information they needed to make good investment decisions. The company chose to ignore the big blue chips and focus on small-growth companies like Reliance. "We figured that if you were going to invest in a small-growth company, which wasn't very liquid, you couldn't just jump in and act," said founder Richard Jenrette. "You really needed to know the company well."

Reliance Board member Doug Hayes was a partner at DLJ and had opened its West Coast office in 1986. He later recalled that "DLJ didn't have the same huge infrastructure as a Merrill Lynch or a Goldman Sachs" and had a small staff. However, "they were really very good," he said, "and as a result, we had an outsized impact on the world around us."

By 1994, DLJ was one of the most respected firms on Wall Street. When Reliance decided to go public that year, DLJ helped sell RS stock to potential investors by conducting its trademark deep research into Reliance's operations, finances, and management, and then preparing and distributing a comprehensive 28-page prospectus that summarized the data.

Hayes was Reliance's champion within DLJ, arguing that the company had the credibility, the trust, and the style necessary not only for the IPO but also to attract investors in the future. He put his professional reputation on the line for Reliance and was gratified when it outperformed other companies that had relied on slogans rather than solid market data to sell their stock. "I take great pleasure in that," Hayes later commented. "My partners trusted me that this was a gem of a company, and so it got every bit as much a marketing push as any other company. DLJ therefore did an excellent job for Reliance." DLJ was bought by Credit Suisse in November 2000 for $11.5 billion, but its name is still used by the Swiss bank for its private equity operations.

Doug Hayes

Waterjet cutting at Affiliated Metals, Reliance's last acquisition before the 1994 IPO. This technology uses a high-pressure stream of water mixed with an abrasive to cut metal parts that might be damaged by heat.

On September 16, 1994, Gimbel, Crider, and Hannah traveled to Wall Street to watch Reliance's shares hit the floor of the New York Stock Exchange. Doug Hayes remembered that it "went off without a hitch," and that there was great excitement when the Reliance listing "RS" flashed on the Big Board soon after the opening bell. The share price opened at $14.50 and went up and down throughout the day, but always within expected parameters. When the closing bell sounded at 4:00 p.m. some 3,450,000 shares had been sold, for a net yield of $46 million. After fifty-five years, Reliance Steel & Aluminum Co. was now a public company.

In the short run, the IPO brought little noticeable change. Bill Gimbel and Florence Neilan still held a controlling interest in the company, owning 15.4 percent and 18.2 percent of the shares, respectively. Nor did management pour all of that new equity into acquisitions: $26 million went to pay down Reliance's line of credit and some of it went into capital improvements. The IPO took Reliance decisively out of the minors and into the majors, and the company had no trouble performing in the big leagues—to the delight of the holders of those new public shares. Reliance split its common stock 3-for-2 in 1997 and again in 1999; there was a 2-for-1 split in 2006. "That's not too bad in our industry," Hannah later said. "We're pretty proud of that."

Bill Gimbel (left), Joe Crider (right), and an official from the Edward Jones investment firm (center) celebrate on the floor of the New York Stock Exchange on September 16, 1994, the day Reliance became a public company.

Plant manager Michael Kruse performs quality assurance inspection of carbon steel coil at the Vernon operation, 1997.

4 FORGING A GREATER COMPANY

1995-2003

"We would like to say 'welcome' to all Reliance Steel & Aluminum Co. shareholders," Chairman Bill Gimbel and President and CEO Joe Crider wrote warmly in Reliance's first annual report as a public company, issued in March 1995. New shareholders no doubt reciprocated the sentiment: the company that they had bought into had turned in a banner year, netting $14.4 million in income—fifty-six percent more than in 1993.

From left, Gregg Mollins, Dave Hannah, and Joe Crider in the mid-1990s.

The nation's recovery from the early 1990s recession helped, but Reliance had accomplished its own recovery the hard way, by careful diversification. None of its recent growth included the highly cyclical sectors that had weighed upon the industry in the early 1990s. Now, flush with cash and the prestige that came with a listing on the New York Stock Exchange, Reliance was about to ride a new wave of growth and success as it refined its corporate strategies to take full advantage of the windfall. "We feel strongly that the metals service center industry will continue to grow in the foreseeable future for many reasons," Gimbel and Crider concluded, and there was every reason to believe that Reliance would grow with it.

TRANSITION AND GROWTH

But first Reliance had to complete the management transition that had begun prior to the IPO road shows. By now, Gimbel was weak with Parkinson's disease and Crider was contemplating his own retirement. Their successors were tested and ready. In November 1995, forty-four-year-old Dave Hannah was named the new President, succeeding Crider, who remained CEO. "He has gained extensive experience in the metals service center industry during his fourteen years at Reliance, and his leadership will greatly benefit us in the future," Crider told the *Los Angeles Times*. Gregg Mollins became Executive Vice President and Chief Operating Officer.

For his own replacement as CFO, Hannah had already identified Steven S. Weis, a former Vice President and CFO at Rubbercraft Corporation. Weis was a quiet but brilliant businessman who started out as a certified public accountant and auditor at Ernst & Ernst. "He was a great teacher and he brought some different perspectives because he did not come from the metals industry," said Lewis. "He came in and I learned a lot from him."

Under the leadership of Crider, Hannah, Mollins, and Weis, Reliance embarked on a new and even more ambitious acquisition drive, funded by the new capital made available by the IPO. One of the first milestones was reached in July 1995 with the formation of American Steel LLC. In an agreement with American Industries, Inc., Reliance paid $19.25 million for a fifty percent interest in the new company and complete control over its assets and operations. The American Steel venture provided Reliance with three metal service centers in the Pacific Northwest and its first facility north of the border. By the end of the year, the Reliance portfolio totaled twenty-eight facilities spread out over ten states and Canada,

An Amada Pulsar laser cutter at work at Siskin Steel & Supply Company, purchased in October 1996.

providing services to more than 30,000 customers. Net income continued to skyrocket, growing fifty-eight percent to reach $22.7 million at the close of 1995.

Reliance continued its acquisitions the next year, starting in January with the purchase of certain assets of the Albuquerque-based metals service center VMI Corporation and continuing in February with the purchase of CCC Steel, Inc. Founded in 1967, CCC Steel was a privately held carbon steel service center with operations in Los Angeles and Salt Lake City. By 1996, it had become one of the largest structural steel distribution companies in the western United States. After three months of negotiation, Reliance purchased CCC. This was the company's twenty-second acquisition in just eleven years. Heeding the lessons learned during those years, Reliance kept existing management in place and gave CCC the autonomy required to outperform its competitors in the structural steel marketplace.

Next, Reliance took another look at the southeastern U.S. market, the fastest-growing part of the country both economically and demographically. Reliance had entered the Southeast in 1975 with the purchase of Steel Products Company in Atlanta, but after years of dismal performance the company beat a retreat in 1987. Nine years later, a newer and better opportunity arose when Chattanooga, Tennessee-based Siskin Steel & Supply Company, Inc. came knocking at the door.

The company, which began in 1900 as a scrap metal yard, opened its first metals service center in 1949. In sub-

A CONTRIBUTION TO CALTECH

Bill and Georgina Gimbel bought a house at Mauna Kea Fairways on the Big Island of Hawaii in 1977. Visits to the house were short and seldom while Gimbel was actively managing Reliance, but by the mid-1990s they spent more time there. In 1995, the house across the street—which had a better view—became available and the Gimbels decided to buy it. The question was what to do with the old one. Characteristically, he made this an opportunity for philanthropy, asking long-time friend and former Reliance attorney Bob Henigson, "Do you think Caltech would be interested in it?"

Although he never attended the California Institute of Technology, Bill Gimbel had admired the institution since his time as an aeronautical engineer, and had served as a Director of Caltech Associates, its fundraising arm. "He knew how much aeronautical engineering knowledge—the text books and much of the technology—came from Caltech," said Georgina Gimbel. Caltech was Henigson's alma mater and he was also a Director of Caltech Associates. The day after his conversation with Gimbel, Henigson visited Caltech President Thomas Everhart.

"What can I do for you, Bob?" Everhart greeted his visitor.

"This is the occasion in which I can fairly say, 'What can I do for you?'" Henigson replied, eager to share the good news.

The timing could not have been better—Caltech had been looking for funding to build a sea-level base facility to support its Submillimeter Observatory located on Mauna Kea, Hawaii's highest peak. Completed in 1989, the observatory housed the largest telescope on the island, which was used to study the early stages of star formation. Up until 1995, Caltech had utilized space on the Hawaii Community College campus to support its Mauna Kea astronomers. However, the community college had recently ended Caltech's lease. Caltech had the funds to buy new space, but lacked the capital required to build a new support lab. The university therefore welcomed Gimbel's donation.

The sale of the Gimbel house ultimately yielded $1.25 million, which allowed Caltech to build a first-class facility. The Georgina and William Gimbel Building was dedicated on June 25, 1995, in a traditional Hawaiian ground-blessing and ground-breaking ceremony, with the Gimbels participating. Despite the public ceremony in Hawaii, few back in the mainland knew of Gimbel's contribution to scientific research. "He never touted his penchant for doing good," Bob Henigson later remarked. "I think he always hid that from everybody."

The Caltech Submillimeter Observatory, located near the Mauna Kea summit in Hawaii.

Square tube is pulled from inventory at Tube Service in Milpitas, California.

sequent years, Siskin closed its scrap metal operations and expanded, starting several new service centers in the South. Although by the mid-1990s Siskin's owners were ready to sell, it was not because business was slumping. Indeed, when Hannah took a look he found what he later described as "a very strong company with a great reputation." On October 1, 1996, Reliance bought Siskin Steel with its four service centers in Nashville and Chattanooga. Reliance appeared to have finally established a firm foothold east of the Mississippi.

Here again, Reliance provided staff and back office support that helped its new acquisition run more efficiently, but when it came to serving its markets, the company was hands-off. Hannah later explained the rationale behind leaving the larger, well-run acquisitions alone. "They are good operators and doing every bit as good as we are," he told *Metal Center News*. "We want to give them more tools and just get out of the way. The last thing we want to do is acquire a company and then screw it up. We've got all these different cultures and we respect them," he said. Typically, observed James P. "Jim" MacBeth, former Reliance Senior Vice President, Carbon Steel Operations, "everybody wants to put their stamp on their acquisition and to stick their flag in the other guy's ground. We don't."

Siskin's name, logo, equipment, trucks, and management all remained the same. John Pregulman, Siskin's President and the great-grandson of the founder, acknowledged to *Metal Center News*, "They let us do what we've done for the last ninety-eight years. Our management didn't change. Nothing changed that would affect the running of the company." "We could have gotten more money from other companies," Pregulman admitted, "but we liked Dave Hannah, Joe Crider, Gregg Mollins, and Steve Weis—they are just exceptional

More than just a warehouse—this 140,000-square-foot processing and distribution facility was built by Bralco in 1996 in La Mirada, California.

people. And we could trust what they told us." Word was getting around. The company leadership could be trusted, and knew how to blend corporate cultures without destroying them—making Reliance, as Mollins put it, "the United Nations of the steel business."

There was a flip-side to this hands-off policy: if an acquisition proved to be unable to perform, Reliance had to be willing to let it go. In the fall of 1995, for example, Reliance dissolved Feralloy Reliance, LLP, the joint venture with Feralloy Corporation. It was a high-volume, low-profit venture, with large contracts and small lead times for delivery—Feralloy Reliance never managed to make such a challenging business profitable. "Reliance ended up getting back their warehouse and their trucks and their company," recalled one Feralloy official, "and it worked out fine."

"VERY, VERY GOOD ACQUISITIONS"

Reliance did not let the focus on acquisitions divert it from making the necessary investments in building up existing operations. In 1995, it expanded the Tube Service Co. location in Milpitas, California. The next year, Reliance broke ground on a new Bralco Metals headquarters in La Mirada, California, to replace the aging Pico Rivera facility. The new 140,000-square-foot plant included state-of-the-art processing and materials

Wide sheet aluminum being covered by polyvinylchloride film at aerospace industry specialist AMI Metals, acquired by Reliance in 1997.

handling equipment and a modern shipping and receiving center. Another Reliance subsidiary, MetalCenter, Inc., boosted processing capacity and brought its equipment up to date in September 1996 by installing a new Ruesch thirty-six-inch light-gauge close-tolerance slitter capable of processing aluminum, stainless steel, and silicon steel strip. Meanwhile, Reliance's wholly-owned electropolished stainless steel subsidiary, Valex Corp., opened three additional distribution centers in Portland, Austin, and Phoenix.

Bill Gimbel continued to serve as Chairman of the Board and kept coming to the office after the IPO. But by early 1997, the seventy-eight-year-old Gimbel knew that it was finally time to retire. On February 3, he stepped down as Chairman of the Board, receiving the title Director and Chairman Emeritus. With Gimbel's blessing, Joe Crider was unanimously elected to the chairmanship. In passing the torch, Gimbel described Crider as "an integral part of the Reliance team" and noted that "his leadership over the years has contributed greatly to our growth as one of the largest metals service centers in the U.S." Crider graciously accepted the office but was subdued by the circumstances of his promotion. "Stepping into Bill Gimbel's shoes is a daunting task," he said, "but I look forward to the challenge."

A short time later, Gimbel was honored by the Steel Service Center Institute for his "exceptional business acumen

Sawing stainless steel rounds at Service Steel Aerospace, purchased by Reliance in October 1997.

and acquisition savvy." In presenting Gimbel with its highest honor, the Helfrick Award, the SSCI observed that "his leadership and guidance grew Reliance from a small, privately held metals service center located in Los Angeles, to a nationally known company with forty locations and revenues of almost $1 billion." Gimbel humbly accepted this tribute during this last public appearance, and subsequently retired to his home in San Marino. In the meantime, Joe Crider, Dave Hannah, and Gregg Mollins, kept Reliance on its growth trajectory. There was plenty of room to expand. The national metals service center market was very large and still fragmented—and Reliance controlled no more than five percent of it.

April 1997 was a big month for Reliance. There was the acquisition of AMI Metals, Inc., which specialized in aluminum plate, sheet, and bar materials for the aerospace industry. "We are pleased to become a part of this exceptional company," said Robin L. Koop, then-president of the Nashville, Tennessee-based service center company. In addition, Amalco Metals joined the Reliance family as a subsidiary. This company, located in Union City, California, specialized in precision cut aluminum plate and sheet products. Reliance did not turn a profit by downsizing corporations, so Hannah was usually able to inform new employees that they were not going to lose their jobs. Unfortunately, Amalco was badly overstaffed, so Hannah told its employees the bad news at the outset to avoid uncertainty and ugly surprises down the road. Reliance later merged Amalco with its existing metals service center in Santa Clara. These operations were then combined into a new, larger facility in Union City. Both acquisitions allowed Reliance to expand its aluminum product base and increase its share of the market in the aerospace industry.

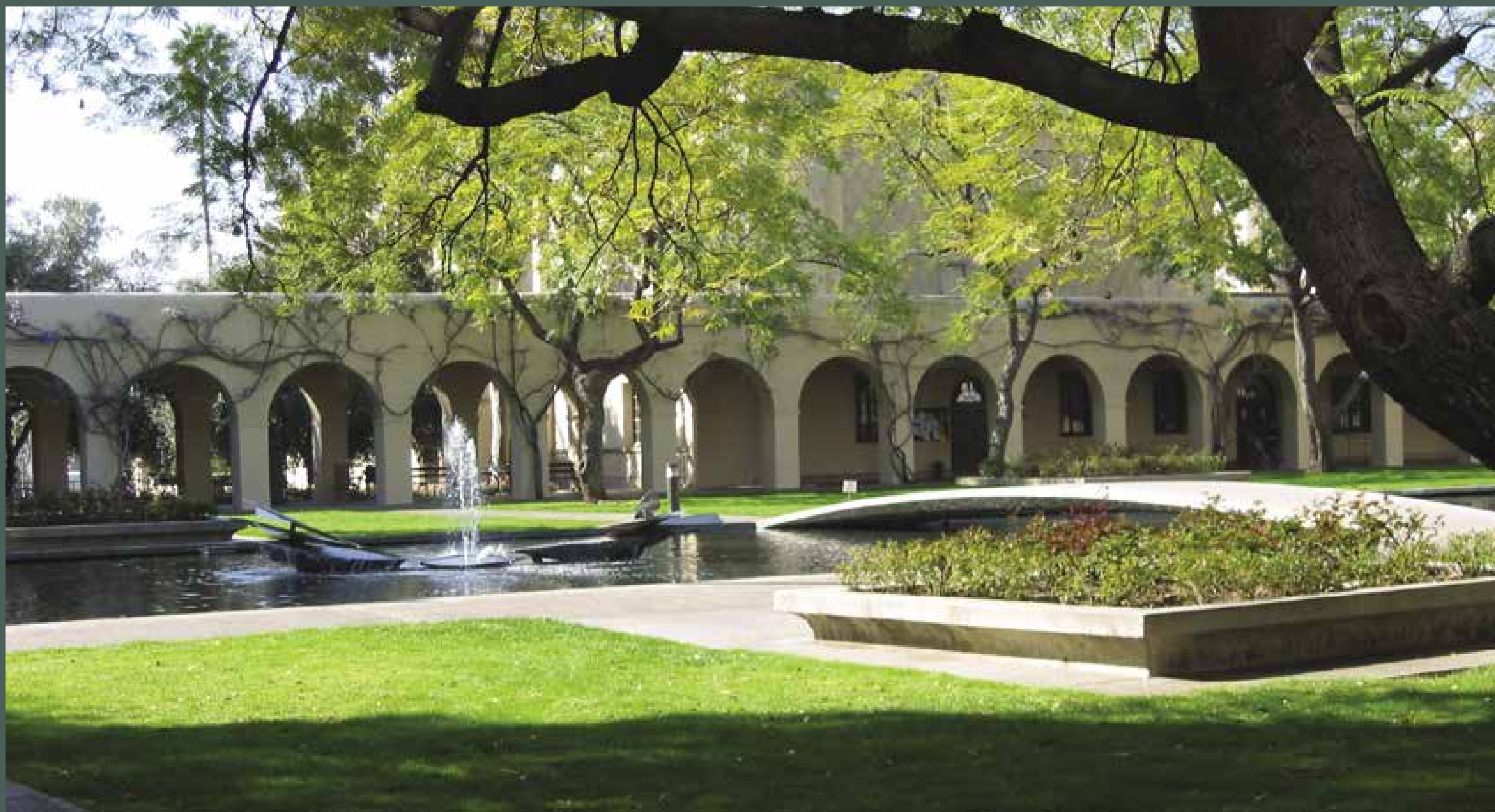
In October 1997 Reliance extended its reach further into the Pacific Northwest, buying Service Steel Aerospace Corp. in Tacoma, Washington. Service Steel Aerospace specialized in distributing and processing aerospace-quality stainless and alloy steel. Oversight fell to William K. "Bill" Sales Jr., who had just been hired as Vice President, Non-Ferrous Operations. Sales was born in Camden, Arkansas, grew up in Louisiana, and spent eighteen years at Kaiser Aluminum. Mollins had his hands full with the other acquisitions and so he handed Sales the aluminum, brass, and stainless steel portfolio. Like his other management colleagues, Sales maintained a light touch, allowing division or subsidiary personnel to manage the day-to-day operations, while providing oversight and exper-

A LASTING IMPACT ON SCIENCE

Bill Gimbel had long been a champion of scientific research at Caltech. Mel Simon, former Chair of Caltech's Division of Biology, called him "a great friend of the Institute for many years." By 1997 those years were drawing to a close; Gimbel had just retired as Chairman of Reliance and was struggling with the last stages of Parkinson's disease. Bob Henigson made a proposal to the Reliance Board. "You know," he suggested, "we really ought to put a little gift together, a research fund that could maybe investigate what was wrong with Bill." The Board liked the idea and so Henigson contacted Caltech's provost to find out how to make it happen. The Provost informed Henigson that the $6 or $7 hundred thousand that Reliance was ready to contribute was not enough money to start up a new fund. Henigson was undeterred. "Well listen," he said, "you put it together and I can almost guarantee you that you're going to get a lot of other gifts." The Provost relented and in late 1997 Caltech established the William T. Gimbel Discovery Fund in the Biological Sciences.

As Henigson promised, Gimbel's friends and family members and Reliance Board members all donated to the new fund and the company made its own contribution. In a very short time, the fund grew to $4 or $5 million. Gimbel eventually got word of the effort and donated an additional $5 million, making it the largest discovery fund ever established at Caltech. Shortly after her husband's death in late 1998, Georgina Gimbel remarked, "It seems as if Caltech has the best chance to make real breakthroughs in the study of neurological diseases." Professor Simon was emphatic that Gimbel's "gift to the Gimbel Discovery Fund, as well as the contributions of his many friends, will make an important and a lasting impact on science for years to come."

The Caltech campus in Pasadena, California.



The sixty-inch, fully automated polishing line at the Atlanta, Georgia, warehouse of Phoenix Metals.

tise along the way. At the core of this portfolio was service to the aerospace sector. That industry had been cyclical, but usually profitable, for Reliance ever since the company had entered the market in 1948. "We've got some of the very best companies," Sales observed. "AMI clearly is the leader on the aluminum side. Bralco also does very, very well. And we've got Service Steel Aerospace doing aerospace steel, titanium…they do a wonderful job."

In November 1997, again with the assistance of Donaldson, Lufkin and Jenrette and Arter & Hadden, Reliance refilled its coffers with a $94 million secondary public stock offering and prepared for new growth. Although company officers were meticulous in arranging these transactions, the secondary offering was almost delayed by one overlooked detail. Bob Henigson's notarized signature was missing from one document—and he was on vacation in Morocco. Arter & Hadden's Kay Rustand tracked him down. "There were no notaries available on a Sunday there," she recalled, "so DLJ's counsel sent a lawyer to meet Bob and his wife in London to get the signature." The company began the next year with revenues in excess of $1 billion, a cash balance of $34 million, and forty-four metals service centers nationwide.

In January 1998 came two more acquisitions. Reliance marked its entry into the mid-Atlantic market with the purchase of Durrett Sheppard Steel Co., Inc. Located in Baltimore, Maryland, Durrett Sheppard specialized in processing and distributing carbon steel plate, structural steel, and bar products. These acquisitions, like the rest of the carbon steel portfolio, came under the watchful eye of Jim MacBeth. A native of Southern California, MacBeth was a career man at Reliance, having joined right out of college in 1969. In working his way up through the sales department, MacBeth learned perhaps his most valuable lesson about Reliance. "It's a relationship company," he said. "People buy from people they like." In the mid-1980s MacBeth became Manager of the flagship plant in Vernon. During the mid-1990s, he ran the Feralloy joint venture for a time. In 1998, as Gregg Mollins was putting his team together, he tapped MacBeth to become Vice President, Carbon Steel Operations.

Another purchase, which paid great dividends in the long run, was the acquisition of the Atlanta-based Phoenix Metals Company. The company had been founded in 1979 by metals service center industry veterans Steve Almond and Wayne Grant. During the next two decades, Almond and Grant expanded their business by developing relations with industry colleagues, moving into Birmingham, Alabama; Charlotte, North Carolina; Tampa, Florida; and Nashville, Tennessee. Phoenix Metals specialized in flat-rolled aluminum, stainless steel, and coated steel and was exceptionally good at handling its exclusively small order "transactional" business. By the late 1990s, however, Phoenix required new capital to continue to grow, and that was where Reliance came in.

Reliance management was impressed by the record Phoenix had established for successful expansion into brand-new "greenfield" locations. "You're starting with nothing," noted Almond. "You've got to plant a seed and watch it grow," he continued, "and that was what we did best." Reliance made Phoenix an offer. "It looked like a lot of money to us and we could continue to work," said Grant, and Phoenix accepted the offer. Grant and Almond were not disappointed. One of the first things Reliance did was convince Phoenix to recognize its own value. "You guys are better than you think you are and you're worth more money," Hannah and Mollins insisted. "The one thing Reliance gave us was this,"

said Almond, "they could help us realize what we really were." The Phoenix acquisition more than lived up to its potential, growing from five to thirteen locations and pushing processing out to its various locations, boosting revenues more than 400 percent over the next fifteen years.

Reliance itself continued to grow and expand, particularly in the Southeast, through additional acquisitions in the second half of 1998. Chatham Steel Corporation, based in Savannah, Georgia, was founded in 1915 by Polish immigrant Samuel Tenenbaum, who started the company as a scrap iron and metal business only three years after his arrival in the United States. In the 1930s, Samuel's three sons diversified into plumbing and industrial supply and in the late 1940s, the company went into the steel warehousing business. In the next few decades the third generation of the family took over the leadership of the company and expanded into Columbia, South Carolina; Orlando, Florida; Birmingham, Alabama; and Durham, North Carolina. By 1997, Chatham was reporting revenues of $166 million based on sales of carbon and stainless steel products and had built up a strong and distinctive corporate culture. "My father and his two brothers instilled positive values of working hard and being charitable," said Chatham's Vice President at the time, Sheldon Tenenbaum. "One of the most important things is that we were fortunate to have the people working for us that we did. We had very little turnover."

Not surprisingly, when Chatham went up for sale there were a number of interested buyers. Chatham management did not know Reliance in advance but appreciated what they learned. Reliance closed the acquisition deal on July 1, 1998. "We sold to the right people," said Sheldon Tenenbaum. This was confirmed in subsequent years as Reliance kept the family management and corporate culture in place even while sharing its metals service center expertise. "Chatham has become more profitable since Reliance bought us," noted Sheldon Tenenbaum. "Better practices, shared experiences, learning from others." Sheldon's cousin Arnold Tenenbaum put it more simply: "They know when and how to be helpful, and when to leave us on our own." For its part, Reliance gained not only a valuable subsidiary, but also important new talent in the form of third-generation family members. After the acquisition, Sheldon Tenenbaum joined Reliance as Director of Supplier Relations, eventually moving up to became Senior Vice President, Supplier Development in 2009.

Reliance expanded its presence in Northern California by acquiring Lusk Metals in September 1998. Founded in 1960 in Hayward, California, Lusk specialized in precision cut aluminum plate and aluminum sheet and extrusions. The acquisition was particularly gratifying for Gregg Mollins since

Bar angle at Chatham Steel, the eighty-three-year-old company purchased by Reliance in 1998.

Packaging slit coil on the semi-automatic line at Phoenix Metals.

Reliance company officers in 2003. From left, Donna Newton, Bill Sales, Karla Lewis, Gregg Mollins, Yvette Schiotis, Dave Hannah, Kay Rustand, and Jim MacBeth.

Lusk had been a previous employer. Within a month, Reliance acquired two more operations. Greensboro, North Carolina-based Steel Bar Corporation, founded in 1980, specialized in carbon steel bars and tubing. After the acquisition, Steel Bar operated as a subsidiary of Phoenix Metals Company and in later years became part of Earle M. Jorgensen Company. Reliance also expanded its operations in the mountain-state market by acquiring the forty-one-year-old Denver-based Engbar Pipe & Steel Company, a distributor of carbon steel bars, pipe, and tubing. Joe Crider considered Engbar a "jumping-off point" in the Rocky Mountain region. "We certainly want to be in Denver in a big way," he confessed at the time. Meanwhile, joint venture American Steel LLC sold its half interest in American Metals Corporation to Reliance, bringing new facilities in West Sacramento, Redding, and Fresno, California into the company fold.

By the end of 1998, Reliance had marked six consecutive years of record earnings. It had eleven subsidiaries and twenty-three divisions located throughout the United States and had expanded into the Southeast and Mid-Atlantic states. Sales had reached $1.3 billion—up 300 percent since the IPO—and net income hit $47.7 million. Dave Hannah summed up the results of the recent campaign: "We've made very, very good acquisitions, companies that have strong positions in their marketplace, and a good reputation for honesty and quality." And all the while, Reliance's reputation as the "acquirer of choice" grew. Reliance seldom went looking for opportunities; instead, aspiring acquisitions came to it. In November 1998, Reliance issued $150 million of unsecured notes, its largest private debt placement to date. The company remained poised for continued growth.

NEW BLOOD, NEW BUYS

On December 9, 1998, Reliance's triumphant mood was tempered by the sad news of Bill Gimbel's death. Since his retirement, he had been confined to his home, where Joe Crider regularly visited, much to Gimbel's pleasure and appreciation. Reliance had been Gimbel's whole life and he died knowing that the company was still there with him, even at the end. Reliance employees, colleagues, friends, and industry competitors all mourned his passing and paid tribute to his memory. Dave Hannah was hit hard by Gimbel's death and resolved to keep his legacy alive as a permanent part of the Reliance culture. Reliance suffered another heavy blow only a month later when CFO Steve Weis died following an extended bout with cancer. Although many colleagues knew that Weis's

illness was terminal, his death still shocked the company. "We are greatly saddened by Steve's death," announced Hannah. "He was an important part of the Reliance family and he will be missed."

To succeed Weis, Dave Hannah promoted from within, naming thirty-three-year-old Karla Lewis as Reliance's new CFO. It was a bold move, considering Lewis's relative youth, but she had earned the position. She "performed many of the functions of Chief Financial Officer as Steve bravely fought his battle with cancer," noted Hannah. Lewis was no novice when it came to dealing—and negotiating—with the big corporate banks. Board member Les Waite later recalled how Lewis stepped naturally into the job. "It wasn't even a decision," he said. "We just accepted that Karla was going to be the CFO." "We couldn't operate without her," Waite added, "She's just spectacular."

One other major management change occurred on January 28, 1999, when Crider retired as CEO, placing the company completely in the hands of the new generation of Hannah, Mollins, and Lewis. "They're very good people," Crider said, "the best in the industry." Dave Hannah became the new CEO—no surprise since it had been in the management succession plan for years. "Dave's contribution to our success is self-evident, and his proven ability as President makes him the obvious choice to lead Reliance into the twenty-first century," Crider declared. "He will be an outstanding leader for the next couple of decades." Although Crider was officially retired, he stayed on as Chairman of the Board in a non-executive capacity.

Dave Hannah was already known as Reliance's "Man of Steel," as the *Los Angeles Business Journal* dubbed him. Hannah had earned the title, in part by working twelve-hour

By the late 1990s, Dave Hannah had made a name for Reliance—and for himself, as *Metal Center News* named him "Service-Center Executive of the Year."

days and sixty-hour weeks and, as Crider described it, being "hard driving and aggressive" in his business dealings. But Hannah knew where to draw the line. He left the business behind at the end of the long day and did not call in on vacation. "It's good for your people for you to get out and let them deal with some of the things you do," he told *Metal Center News*—and he was pleased to find that they invariably tackled the challenges.

This was an important insight—that the business might be in metals but it was all about people. Hannah enjoyed walking through the warehouses to talk with the employees, and visiting with customers to see what they did with Reliance's products. "We want to be humble and leave our egos at the door," he insisted, "because we all came from modest beginnings." Most importantly in a company where making agreements was routine, a handshake for Hannah meant that the deal was done. *Metal Center News* recognized Hannah's qualities when it named him the 1998 Service-Center Executive of the Year, an honor reserved for "an individual whose career and business strategies represent a model for the rest of the industry."

Hannah could not do it alone, though. He needed a strong operating hand to watch over operations and size up the acquisitions. Gimbel had Crider; Hannah had Mollins. Since they had begun working together in 1992, Hannah and Mollins had created an effective partnership that grew stronger over time. Commonwealth Industries was a long-time Reliance supplier, so its CEO Mark Kaminski got to know both men well. He called the team the "best legacy" that Gimbel and Crider could possibly have left. They have a "yin and yang" type relationship, Kaminski said. While the CEO invariably kept the big picture in sight, he could count on his "hired gun" to take care of the details. "Do what you've got to do," Hannah had told Mollins, and he did—with a good deal of finesse. Years after his retirement, Crider paid the two men perhaps the greatest compliment: "They actually did better than Bill and me when we were there."

Clean room manufacture of electropolished stainless steel tubes at Valex. Valex expanded into South Korea in 1999.

This seventy-two-inch Redbud high-speed multi-cut blanking line was the only one west of the Mississippi River when it was installed at the Los Angeles metals service center in 1999.

One of the first challenges that the management team faced was a series of ups, downs, and opportunities at Valex, the company's subsidiary that specialized in manufacturing electropolished stainless steel tubing and fittings for the semiconductor and electronics industry. The up came in February 1999, when Valex acquired the assets of Ohio-based Advanced MicroFinish Incorporated and integrated them into its Ventura, California headquarters facility. The down occurred a short time later, when Valex President and COO Dan Mangan paid a visit to Dave Hannah. Valex had a problem, he explained. Forecasts indicated that with the demise of the domestic electronics industry, the company's U.S. customer base would soon dry up. But, Mangan continued, there was a potentially lucrative solution: while electronics stalled in the United States, the South Korean industry was exploding—Valex could establish a business there. Indeed, there were some indications that the South Korean government would look favorably on a new Reliance venture. Valex was already in the European market with Valex S.A.R.L. based in France, so a precedent was already set. In November 1999, Valex Korea Co. Ltd. was established in Seoul. Construction of the Valex Korea facility near Seoul was completed in the second half of 2000. Valex Korea was the only high-purity stainless steel tubing and fittings manufacturing plant in South Korea.

As important as expanding internationally, Hannah believed, was taking advantage of the "truly regional economies here in the United States." The metals service center industry was, by nature, a local business. "No matter what we think, no matter how big we are, most of the time the metal that we sell doesn't travel well," Hannah explained. "It's heavy and big and bulky and it costs a lot to ship it from point A to point B." Reliance covered more regional markets than most of its competitors, but there was one conspicuous absence—the Midwest, which was still, as Hannah put it, "the largest metal-consuming part of the country."

In March 1999, Liebovich Bros., Inc., headquartered in Rockford, Illinois, became available. Founded in 1939, Liebovich Bros. specialized in carbon steel products, with sales of $130 million and an excellent reputation in the industry. After some quick negotiations, Reliance brought Liebovich Bros. into its family as a subsidiary. The acquisition included a full-line metals service center and two metal fabricating facilities in Rockford, and a metals service center near Grand Rapids, Michigan. Now with a foothold in the vast upper Midwest market, Hannah believed Reliance could "continue to grow with access to new customers and an expanded product base." Later that year, Reliance established a presence in the Ohio Valley by acquiring Pittsburgh-based Allegheny Steel Distributors, Inc., which specialized in cutting to length and blanking carbon-steel flat rolled products.

While Reliance was implementing its increasingly ambitious acquisition strategy, it also worked to ensure that all of its facilities maintained their competitive advantage through continual improvements in technology. In May 1999, Reliance purchased a Red Bud seventy-two-inch, high-speed multi-cut blanking line for its Los Angeles metals service center. It was a $2 million machine, one of only seven, and the only one west of the Mississippi River. Jim MacBeth told *Modern Metals* that "a growing disparity between the quality of products being produced by mills and the quality requirements of our customers" led to the upgrade. The high-tech blanking line produced precision blanks to "some of the tightest dimensional tolerance capabilities in the industry." Another

advantage of the blanking line was its advanced leveling capabilities, using stretcher levelers rather than roller levelers. This produced a flatter and more stable sheet for additional processing. "We're raising the bar for the entire industry," MacBeth concluded, "and the true beneficiaries of that are the customers."

In October 1999, Reliance acquired Dallas-based Arrow Metals, a division of Arrow Smelters Inc. Arrow Metals specialized in non-ferrous metals processing and the distribution of aluminum plate and bar products. With additional facilities in San Antonio and Houston, Arrow Metals further diversified and expanded Reliance's operations in Texas. It also helped diversify Reliance further beyond carbon and stainless products, helping the company avoid exposure in single business lines. Reliance closed out 1999 with its fifth consecutive year of record revenues and earnings since its 1994 IPO.

At Service Steel Aerospace, elaborate color coding identifies specialty metals and alloys in the inventory.

INTO A NEW CENTURY

Karla Lewis spent the last months of 1999 more concerned about the "Y2K Bug"—which businesses everywhere feared would wreak havoc with computer systems—than with revenues. As supervisor of the Reliance information systems upgrade team, she was not worried about mass failures since Reliance's older systems were in accounting rather than operations. January 1, 2000, came and went with few problems, but the upgrade was not in vain. "It was a better system for the people in the field to use," Lewis later recalled. "Y2K just pushed us to get there a little faster."

Reliance began that year primed to continue on the expansion path with the February 2000 acquisition of the Hagerty Steel division of Hagerty Brothers, a 140-year-old company headquartered in Peoria, Illinois. Hagerty was located three hours from Rockford and became a subsidiary of Liebovich Bros. It specialized in flat-rolled carbon steel, including hot-rolled pickled-and-oiled sheets. The addition—renamed Hagerty Steel & Aluminum Co.—appeared to be a good complement to Reliance's earlier Midwest acquisition: Hagerty processed flat-rolled steel and Liebovich Bros. sold it. "We have an excellent long-term relationship with Hagerty and the synergies realized from the balance of our operations will work quite well," said Greg Liebovich, then President of Liebovich Bros. It took some adjusting before those synergies could be completely realized, however. Hagerty was posting a loss each month and turning that around proved to be more difficult than expected. Gregg Mollins made the

Moving aluminum plate from inventory at AMI Metals. By the early 2000s, the rate at which inventory was replaced—"inventory turn"—had become one of the best indicators of performance in many American industries.

difficult decision to cut the staff from 140 to ninety. The move worked, saving the company and keeping Reliance's Midwest operations strong.

In June 2000, Reliance moved east into Pennsylvania by purchasing Johnstown-based Toma Metals, Inc. Toma Metals bought, processed, and sold secondary and excess prime stainless steel and had attained revenues of just under $10 million the year before. Toma had abundant opportunity but was short on capital. Reliance enabled Toma to expand and the acquisition gave the parent company new diversity. "It's a niche like no other niche that we have," Hannah explained to *American Metal Market*.

Reliance moved into yet another niche market in August 2000 when it acquired the Aircraft Division of United Alloys Inc., a twenty-nine-year-old Southern California company that specialized in titanium products for the aerospace industry. The acquisition was made by forming a new subsidiary of Reliance's Tacoma, Washington-based subsidiary Service Steel Aerospace Corp., named United Alloys Aircraft Metals, Inc., to acquire the assets of the Aircraft Division. The acquisition ensured the place of Service Steel as one of the top suppliers of aircraft-quality metals of all types. Another Reliance subsidiary, AMI Metals, Inc., was having a banner year in the same business. For four years, AMI Metals had provided stainless steel and aluminum sheet and plate products to Boeing. In 2000, Boeing granted a five-year contract extension which put the total value of AMI's work for Boeing over the life of the contract at $100 million.

Reliance resumed its geographic expansion late in the year with the November 2000 acquisition of East Tennessee Steel Supply, Inc. The twenty-two-year-old company, based in Morristown, Tennessee, specialized in the processing and distribution of carbon steel plate, bar, and structural elements, and recorded sales of $6.6 million in 2000. Continuing the trend of combining new, smaller acquisitions with larger Reliance subsidiaries, East Tennessee Steel Supply was merged into Siskin Steel & Supply Company. By then, the Southeast had become a source of strength for Reliance: revenues from the region totaled more than $500 million—thirty-two percent of the 2000 corporate total—helping Reliance chalk up eight consecutive years of record net earnings. This earnings achievement was all the more impressive because the economy had cooled during the second half of the year—another recession appeared to be on the way.

Steeled by years of experience in all phases of the business cycle, Reliance was ready. The company had learned long ago that warehouse space was expensive, and that keeping inventory to a minimum and turning it quickly was a necessity. By then, the same lesson had been learned throughout the broader American economy and "just-in-time" delivery had become standard procedure for most manufacturers. Aggressive inventory control was one of the central operating tenets that Reliance stressed in keeping its operations trim—its turnover was twenty-five percent better than the industry average. "No doubt about it," said Dave Hannah, "if you ask our people what we stress they'd tell you gross profit margins and inventory turns," he told *American Metal Market*. And not only was floor space expensive, but prices were unpredictable. "What's down twenty dollars a ton today could be down fifty dollars a ton tomorrow so you've just got to move it," Mollins explained. Preparations for tough times did not mean a slackening of the acquisition efforts, though. On the contrary, the silver lining in the cloud of recession was that a number of new opportunities became available, and Reliance was ready and able to acquire.

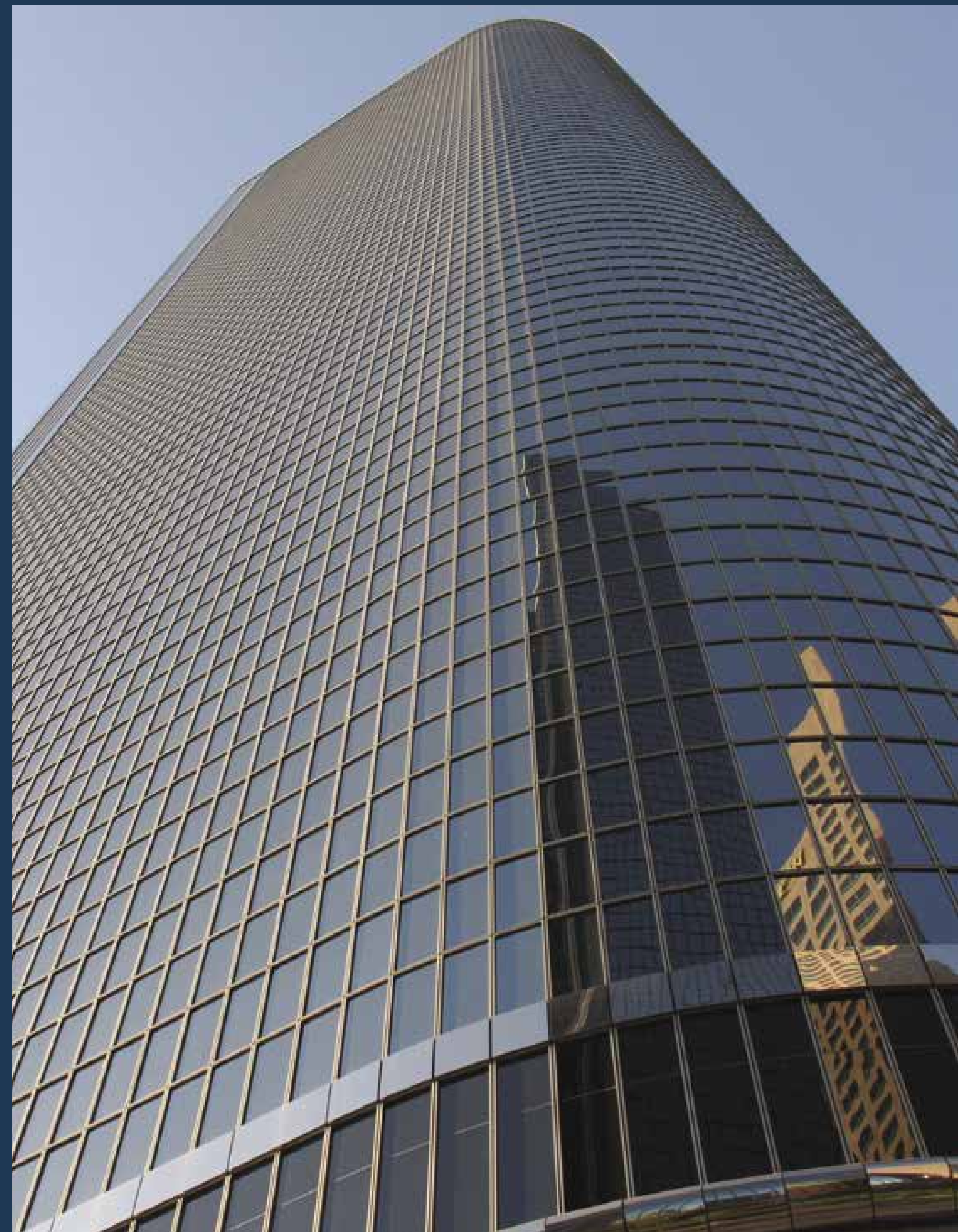
For most of its history, even Reliance's white-collar employees had to feel comfortable in an industrial atmosphere. Pictured (left to right) are Gregg Mollins, Dave Hannah, and Karla Lewis in 1999.

A NEW HOME IN THE SKY

By the end of the twentieth century, Reliance had outgrown its old Vernon headquarters and was looking to relocate to a venue better suited to support the continued growth of the professional staff needed to support a thriving multi-billion dollar global corporation. The perfect home was not far away. Located at 350 South Grand Avenue in the Bunker Hill financial district of downtown Los Angeles, the fifty-two-story skyscraper Two California Plaza offered 1.27 million square feet of office space. The building had been designed by the famous Canadian architect Arthur Erickson and was an integral part of the Los Angeles "cultural corridor," developed in the early 1990s. Topped out at 750 feet in 1992, it was the third tallest skyscraper in Los Angeles and the 367th tallest in the world.

When designing Two California Plaza, Erickson had envisioned a terraced tower of steel and reflective glass rising from a base of Brazilian Sanduba granite. To create this impression, he designed "vertically notched sections" climbing to the top of the building. A 1.5-acre water garden with fountains was featured on the ground level, between Two California Plaza and its sister building, One California Plaza. At the center of the plaza, which was linked to the Museum of Contemporary Art, Erickson created "waves of water" that flowed down the terraces into a central lake. When the water was turned off and drained, the area became an open-air amphitheater with the terraces serving as audience seating.

Reliance signed an eleven year, $10 million sublease for 44,847 square feet of space on the fifty-first and fifty-second floors in February 2001. It was a substantial upgrade from the Vernon facility and the lease terms were very favorable to Reliance. The glass and water ambience of the plaza provided a stark but welcome contrast to Reliance's former cramped headquarters in the industrial Vernon steel yard. Visitors and employees alike responded favorably to the new Reliance headquarters.



Splitting a steel beam into "tees" using a rotary mechanical shear at PDM, before and after images. A water jet cools the heated steel and keeps particulates down.

The first such bargain appeared in January 2001. Minneapolis, Minnesota-based Viking Materials, Inc. was a twenty-four-year-old company specializing in carbon steel flat-rolled products. The company had just grossed $90.1 million, and Allen Applegate, its President, believed that $95 million was attainable in 2001. There were two wrinkles, however. Applegate needed capital to bolster Viking's aluminum and stainless steel product lines, and to help build up a Chicago-based affiliate, Viking Materials of Illinois, Inc. "We were growing so rapidly that we leveraged ourselves just about as far as we could go in order to take advantage of opportunities in the Minneapolis market," Applegate told *Metal Center News*. Reliance could help on both counts while fortifying its own recently established upper Midwest presence.

That same month, Reliance moved deeper into the Southeast by acquiring Aluminum and Stainless, Inc., based in Lafayette, Louisiana. A processor and distributor of aluminum sheet, plate, and bar products to the Gulf Coast oil and gas industries, Aluminum and Stainless gave Reliance access to a new and promising market. Indeed, in March 2001, Aluminum and Stainless opened a New Orleans branch by acquiring the assets of a competitor that was in bankruptcy. By the end of the year revenues had jumped about thirty-five percent.

By this time, Reliance had outgrown its corporate office building adjacent to the flagship plant in Vernon, California. In a sense, time had passed the old headquarters by as well. The 1990s boom, and especially the late-decade dot-com bubble, saw the launch of a host of new high-tech enterprises, each of which sought to outdo the other with upscale facilities and perks appealing to new hires. As the new millennium dawned, young professionals began to expect that kind of workplace. Reliance, however, offered not the workplace of tomorrow, but the office of yesterday—a remodeled machine shop, next door to a paper recycler and rendering plant, which left a negative olfactory impression on visitors and prospective employees alike. "We literally had people who

would come over for a job interview," said Karla Lewis, "who, once they saw the place, kept on driving by without stopping because they did not want to work in such a gritty industrial environment."

For a time, the general sentiment was, "If they can't put up with Vernon, then they are not the right people to work for us," but there was no denying the fact that the Vernon headquarters were simply out of space. In order to keep growing, Reliance was going to have to attract good people and it was going to need much more office space. So in February 2001, Reliance signed an eleven-year sublease for 44,847 square feet of office space at Two California Plaza. Completed in 1992, the shiny fifty-two-story skyscraper was located in the Bunker Hill financial district of downtown Los Angeles. Reliance moved its headquarters into a series of well-lit, well-furnished suites on the fifty-first and fifty-second floors, capitalizing on the misfortune of the prior tenants with a below-market lease. "It was just time for a change," Lewis concluded, "so why not go straight to the top?"

Following the move, Reliance acquired the assets of the PDM Steel Service Centers Division of Pitt-Des Moines, Inc. through its newly-formed subsidiary, which was subsequently named PDM Steel Service Centers, Inc. It was the company's largest acquisition to date and perhaps the most logistically advanced as well. Founded in 1954, Pitt-Des Moines, Inc. was originally in the business of building bridges and added the PDM division as a support for its primary business. Subsequently, the PDM division became a metals service center serving central and Northern California. After building new facilities in Fresno and Stockton, however, it adopted a revolutionary inventory management and distribution concept. A "hub" facility in Stockton quickly distributed inventory among the company's four California service centers, including "uncommon, hard to find, slow-moving items" that were otherwise too expensive to stock.

PDM then moved into Nevada, Utah, and Washington, and it brought its new distribution system with it. In 1997, it had acquired General Steel Corporation, a carbon steel service center based in Washington state. By 2001, PDM was operating seven metals service centers located in Stockton, Fresno, and Santa Clara, California; Sparks, Nevada; Spanish Fork, Utah; Cedar Rapids, Iowa; and Woodland, Washington. All specialized in processing and distributing carbon steel products for the capital goods and construction industries and were linked by the unique PDM inventory distribution system. General Steel was later merged into PDM.

The July 2001 acquisition was advantageous for two reasons. First, it took Reliance into a total of twenty-five states. Second, Reliance and PDM shared not only a common product mix—structural steel, heavy wall tubing and beams, and carbon plate products—but also a common culture. Said PDM President Derek Halecky, "Our operating strategies are quite compatible and fit well strategically with Reliance's existing operations and plans for future growth." Reliance followed up that same month with a new public offering of common stock worth about $150 million. The proceeds went to pay down the debt incurred for the PDM purchase as well as other acquisitions and left Reliance in good financial shape to continue its acquisition drive.

DEALING WITH THE DOWNTURN

As Reliance experienced declining volume and pricing during the first nine months of 2001, the one bright spot, with rising revenues, was the aerospace industry. But the

terrorist attacks of September 11, 2001 changed that. Commercial airlines were grounded for a few days, and when the skies reopened, ridership was down. With overcapacity in the nation's fleet, most orders for aircraft components were cancelled. In all, manufacturing and construction companies reduced their purchases from the top 100 service centers by fifteen percent—nearly $5 billion worth—during 2001. "We saw pricing and demand come down on everything as the year progressed," confirmed Hannah. While the market declined, Reliance stepped up its inventory turnover rates, controlled other costs, and paid down its debt. The earnings record ended in 2001, but the company still cleared more than $36 million in net income, making it one of the few publicly traded metals service center companies to come out ahead in the recession.

In 2002, Reliance's Board of Directors rewarded several members of the company's senior management team with promotions for their excellent performance during the downturn. The promotions also better reflected their expanding job responsibilities and Reliance's need to delegate responsibility for managing what was now a worldwide family of companies. Gregg Mollins was named President and COO; Karla Lewis became Executive Vice President and CFO; Jim MacBeth became Senior Vice President, Carbon Steel Operations; and Bill Sales was named Senior Vice President, Non-Ferrous Operations.

There was no time to celebrate these promotions, for Reliance still faced a tough year in 2002. Metal prices remained low and same-store sales decreased six percent from 2001. Veterans of the metals service center industry considered the market to be in its worst state in two decades. Nevertheless, Reliance spent the year looking for more silver linings, investing both internally in current operations, and externally in new acquisitions.

Several Reliance subsidiaries opened new facilities in the latter half of 2002. To create a consolidated and thus more efficient business, Chatham Steel Corporation combined its Jacksonville and Orlando facilities in Florida. Tennessee-based AMI Metals opened a European facility in Gosselies, Belgium, to better serve the aerospace industry. Phoenix Metals Company opened a newly-constructed plant for its Nashville, Tennessee, metals service center. Aiming to reach a larger customer base, California-based PDM Steel Service Centers, Inc. began building a new sales and distribution facility in Las Vegas, Nevada, to provide local customers with next-day delivery options—it opened the following February.

The 2001 terrorist attacks on New York touched off a steep economic downturn, but Reliance stepped up inventory turns, controlled costs, and came out ahead despite the recession.

A cut-to-length line at Central Plains Steel, acquired by Reliance in 2002.

Pacific Metal lost no time changing the signs when, after the 2002 acquisition, Reliance brought back its venerable name.

In April 2002, Reliance acquired Olympic Metals, Inc. Founded in 1978, the company specialized in the processing and distribution of aluminum, bronze, brass, and copper, along with stainless steel products. With a 20,000-square-foot facility, Olympic Metals put Reliance decisively into the long-sought Denver and Rocky Mountain market. At the same time, Reliance bought Central Plains Steel Company, gaining facilities in Kansas City and Wichita, Kansas. Central Plains Steel was a processor and distributor of carbon steel products that achieved sales of $39 million in 2001.

KEEPING THE FOCUS

In November 2001, at the height of the economic crisis, Houston-based Metals USA Inc., a roll-up company, filed for bankruptcy. Ten months later, in September 2002, a U.S. bankruptcy court approved a reorganization plan that called for Reliance to purchase the assets of Metals USA Specialty Metals Northwest Inc., a division of Metals USA Inc. For more than 120 years the division had been known as Pacific Metal Company, operating as a private company handling aluminum and coated carbon steel products based in the Pacific Northwest. Fifteen years earlier, Pacific Metal's employees had purchased the company through an employee stock ownership plan. "The employees really took to heart this ownership role," recalled Pacific Metal President Sandy Nosler. "There was tremendous employee pride in the company name." But by the late 1990s Pacific Metal needed deeper pockets in order to expand and selling the company seemed like the best solution. Reliance was interested in the company, but was outbid by Metals USA, which acquired the company with its stock in 1998 and retired the Pacific Metal Company name. With the bankruptcy of Metals USA, Pacific Metal employ-

Checking stock at Precision Strip, the Ohio-based toll processor acquired by Reliance in 2003.

ees had seen the value of their ESOP—and their retirement funds—evaporate.

When Reliance took over Pacific Metal in the wake of the bankruptcy, Dave Hannah beat a path to Portland. For more than a decade, Reliance had succeeded in the acquisition game by respecting corporate culture, and that meant knowing the company history. Hannah had done his homework. When he reached headquarters he took his turn addressing a skeptical assembly: "Listen, you guys. I want to make something very clear. You used to be Pacific Metal. Then you became Metals USA. Then we bought you. You're now Pacific Metal." The crowd erupted with joy at Hannah's pronouncement. "They cheered. They went crazy. They loved it," remembered Bill Sales. Reliance had given the employees their company back—Hannah could be certain that they would make it a success. As always, Reliance offered plenty of leeway, but guidance as well. "We have a lot more resources now. All those things help you deliver industry-leading profitability," said Sandy Nosler. As years passed, Nosler noted, Pacific Metal's strong sense of tradition was augmented by the Reliance business model of "service your customer to the fullest." It did not take long for Pacific Metal to prove to be another good buy for Reliance: the company's 2002 sales approached $85 million—despite the recession.

It was not a bad way to hit bottom, and indeed, 2002 was the lowest point of the recession for Reliance, with net income coming in just above $30 million. The next year Reliance saw some improvement in business, with net income up thirteen percent to $34 million. Most importantly, the company had a strong balance sheet that would enable it to seize new opportunities when they arose, despite the troubled times.

While awaiting an upturn in the business cycle, Reliance management began pursuing one such opportunity. Hannah, Mollins, and Lewis noticed that the automotive and appliance industries had managed to do better than other sectors during the downturn. Reliance had few customers in these markets, however. There was one company, though—Precision Strip, Inc.—that did about sixty percent of its business in the automotive sector and much of the rest in the appliance industry. And it was for sale.

Founded in 1977 in Minster, Ohio, Precision Strip was the leading toll processing company in the United States. A toll processor does not take ownership of its product, but instead charges a fee for services. A typical transaction worked like this: a steel mill might have a supply contract with an auto manufacturer, although the automaker required shapes and specifications that the mill could not provide. So before delivery to the auto plant, the steel producer would contract with a toll processor to process the steel into the required shapes and forms. This was a good line of business for the toll processor because it provided reliable cash flow and carried no inventory risk.

On July 1, 2003, Reliance closed its biggest deal to date, purchasing Precision Strip for $220 million and the assumption of $26 million of debt. The transaction was funded by issuing $135 million in senior secured private placement notes and borrowing on the existing $335 million syndicated bank line of credit. This financial stretch was well worth making. "What we saw in Precision Strip was a way to diversify and to do the things we felt comfortable doing," Hannah explained. The company became a wholly-owned subsidiary of Reliance.

Precision Strip's specialty was slitting and blanking flat-rolled products. Its business was divided sixty-five percent in

carbon steel, twenty percent in aluminum, and fifteen percent in stainless steel. Precision Strip's principal customers were carbon steel, stainless steel, and aluminum mills, but it also directly served customers in the automotive, appliance, metal furniture, and capital goods industries. It had plants in Kenton, Middletown, and Tipp City, Ohio; Anderson and Rockport, Indiana; Bowling Green, Kentucky; and Talladega, Alabama. Although Precision Strip collected only service fees, Reliance estimated the total value of metals products processed by Precision Strip at $2 billion per year.

The acquisition was consonant with Reliance's ongoing emphasis on product, customer, and geographic diversification, and it promised to help smooth out bumps like those Reliance experienced in the recession of the early 2000s. It also gave Reliance a new sense of what was possible. As Reliance Director Douglas Hayes noted, "The Precision Strip acquisition was very important in giving the company, the Board, and management confidence that we could buy big companies, and that we weren't betting the company on every big acquisition." By September 2003, most of the industries that Reliance served had begun to recover. Hannah told *Modern Metals*, "We are very proud of what we did in 2001, 2002, and 2003. We didn't change our focus." As a result, the stage was set for a major economic recovery, record returns for Reliance, and more acquisitions to come.

Orders on the move at Precision Strip's Minster, Ohio plant ensure that metals on the floor will soon be moving as well. In 2013, Precision Strip's eleven facilities processed more than 4.6 million tons of metal.

A skilled operator cutting rings with a Titan hi-def plasma machine.

5 DOING IT THE RIGHT WAY

2004-2014

Reliance management had long ago learned a simple but valuable lesson: take care of the things that you can control and you are less likely to be hurt by the things that you cannot. One needed only to look back a few years for proof—back to the early 2000s recession, when Reliance remained profitable while most of its competitors had stumbled or fallen.

During those tough years Reliance had made important acquisitions, set its balance sheet in order, and kept its focus. Then, again for reasons beyond Reliance's control, the pendulum swung the other way. In mid-2003, world steel prices were at a post-recession lull, but then they began rising, and kept on rising.

There were many causes—mill consolidation, high coke prices, and booming consumption in China—but the price hike seemed beyond the boundary of reason. By the next spring the price of a hot-rolled coil was up sixty-six percent to $482 per ton. "The world's gone mad. I've never seen anything like this," said one industry analyst. Skyrocketing steel prices took Reliance's revenues with it—net sales reached $2.95 billion. Net income, meanwhile, rose five hundred percent over the previous year to $170 million. Thanks to its aggressive acquisition strategy, Reliance was by then one of the five largest metals service center companies in the United States, with twenty-four divisions, nineteen subsidiaries, and more than one hundred locations in thirty states, as well as facilities in Belgium, France, and South Korea. Reliance now took the opportunity to reduce its debt from forty-three percent of capital to thirty-four percent, and to increase its dividend by eight percent. It was neither the first nor the last time that Reliance reaped the benefits of doing things the right way.

STRENGTHEN AND BUILD

The tremendous advance in steel prices was not the only external factor behind the Reliance resurgence. By 2004, the aerospace industry was beginning to recover from the post-9/11 slump, with makers competing to supply hundreds of aircraft for emerging new markets, especially in Asia. By the time aircraft manufacturers began placing orders, however, the aluminum industry had changed. High energy prices had driven up costs and helped put several American mills into bankruptcy. At the same time, European producers who had supplied the American market were sending more and more of their supplies to the burgeoning continental aerospace firm Airbus. As supply dwindled, aluminum prices rose eighteen percent.

Simultaneously, new demands for quality and on-time delivery also worked in Reliance's favor. U.S. aviation giant Boeing was increasingly incorporating heat-treated, machined aluminum plate into its aircraft rather than forged aluminum and, like every other manufacturer, was determined not to take delivery of materials until absolutely necessary. As a result, Reliance, which had long ago established a strong presence in the Pacific Northwest, was there when a manufacturer like Boeing needed aluminum products and could set prices accordingly. "A very high percentage of what we sell is to customers who come to us that have orders today that they need filled tomorrow," said Bill Sales, Reliance's Senior Vice President, Operations. "It's very localized."

The year 2004 then, presented a great opportunity to strengthen the company's financial position. That March, Dave Hannah announced that he was putting acquisitions on the back burner so that Reliance could fully absorb the $246 million Precision Strip acquisition, reduce its debt, and increase its cash reserves for the next big deal. Accordingly, Reliance top management spent much of the next year in the company of bankers. On June 13, 2005, the company signed a new syndicated credit agreement with fifteen banks to nearly double its five-year unsecured revolving credit line from $335 million to $600 million.

By then, Reliance was again ready to build and had already identified a potential acquisition: Chapel Steel of Pennsylvania. Founded in 1972, Chapel Steel was a family-owned business specializing in carbon steel plate and mostly serving the mining and quarry industries. It had four divisions, located in Birmingham, Alabama; Bourbonnais, Illinois; Portland, Oregon; and Houston, Texas. The company also had warehouses in Cincinnati, Ohio, and Hamilton, Ontario. Jerry Sutow was founder and CEO, and his son Jim was Chapel Steel's President.

Chapel's Vice President was Philadelphia native Steve Koch. After a stint selling securities out of college Koch took a sales job at Chapel Steel and fell in love with the industry, not least because steel was much more tangible than securities. "We had a pretty good product and everybody wanted to talk to me," he recalled. Koch rose systematically through the ranks and saw a lot at Chapel Steel, but never anything like 2004. "All of a sudden, there was a huge spike in steel prices," he recalled. "If you had inventory on the ground and you had a mill supply, '04 changed everybody's life."

Ironically, that was what worried Koch and some of his colleagues. As the industry changed it was inevitable for smaller companies to merge or be acquired. This windfall made it all the more likely for the Sutows to decide to capitalize on their investment and either sell or liquidate the business. Koch worried about the prospect of merging with another small company. Nor did he want Chapel Steel to lose its identity and become an anonymous acquisition. These concerns led

At AMI Metals, a metal plate bound for the aerospace industry goes through the router.

him to Reliance. Late in the year, Koch met with the Sutows and told them, "I think it's a great time for you to exit and take your chips off the table. If we sell to Reliance, you can still work, but they'll give you all the money, and you have no risk. You can probably work as long as you want. We can all work."

In January 2005, the Sutows approached Reliance about a possible acquisition. Dave Hannah was then looking for an opening into the mid-Atlantic and northeastern U.S. markets and seized the opportunity. He called Chapel back and the Sutows said, "We should meet each other to make sure that we agree with your values and you agree with ours." In late February, Jim Sutow and Steve Koch flew to California and met with Gregg Mollins, Dave Hannah, and Karla Lewis. "We spent eight hours in the conference room," Koch recalled, and learned that "Chapel Steel was a lot like Reliance." "We had so many similarities and we felt so comfortable."

On July 1, 2005, Reliance and Chapel Steel closed the deal. Hannah was happy with the acquisition, telling *American Metal Market* that Chapel Steel was a "well-run and growing company that adds to both our product offerings and our geographic coverage across the country." Koch thought so too, later stating, "It was a great fit for all of us." Koch turned out to be a good fit for Reliance as well. After serving as President of Chapel Steel for three years, in 2010 he succeeded the retiring Jim MacBeth as Reliance's Senior Vice President, Operations.

Chapel Steel, acquired by Reliance in 2005, specializes in steel plate, including armor and ballistic plate for the military.

ACQUIRING EMJ

As Chapel Steel opened new doors in the East, another opportunity appeared that was too good to pass up. In April 2005, Reliance's longtime West Coast counterpart Earle M. Jorgensen Company (EMJ) completed its initial public offering, establishing a market value for the company. Based in Lynwood, California, with forty additional service centers, EMJ was one of the largest distributors of metals products in North America. It was a processor and distributor dealing primarily in the specialty "long products" of bar and tubing, which were of higher value and more profitable than many of Reliance's less expensive commodities such as carbon steel and non-ferrous products.

Although Reliance and EMJ had not been competitors for some time because of this divergence in their product lines, the two companies shared common backgrounds and cultures. Founder Earle Jorgensen and Bill Gimbel had liked and respected each other, and Gregg Mollins had worked at EMJ early in his career. Jorgensen had planned to turn the company over to his son, but after John Jorgensen's unexpected death, Earle Jorgensen sold his controlling interest to Kelso & Company, a New York private equity firm, in 1990. Kelso merged EMJ with its Kilsby-Roberts Holding Co. but kept the well-respected Earle M. Jorgensen Company name for the consolidated enterprise.

Although the merger had resulted in America's largest independently owned metals distributor, the new EMJ was poorly managed. A catastrophic installation of a computerized information system in 1995 disrupted operations and led to nearly $60 million in losses. There was also persistent internal discord between the more conservative "white shirt-and-tie" EMJ staff and the laid-back "colored shirt and open

As this 1960s flyer indicates, the Earle M. Jorgensen Company was among the nation's largest metals service centers for decades, with warehouses across the country.

collar" Kilsby management team, which ran the company for Kelso.

By 1997, EMJ was on the verge of bankruptcy with a debt load of well over $200 million. Kelso brought aboard Maurice "Sandy" Nelson, formerly of the Inland Steel Co., who tapped

Earle M. Jorgensen, right, with son John W. Jorgensen during the 1980s.

four key EMJ managers for advice. During the next few years EMJ closed underperforming operations, beefed up the money makers, and made much-needed improvements in technology. Still, EMJ's financial troubles scared away potential acquirers.

Reliance watched EMJ with interest all the while. At various points, Bill Gimbel, Joe Crider, and Dave Hannah had all talked to Kelso about potentially buying the company, but they, too, had worried about EMJ's balance sheet. "The way that Jorgensen was structured was problematic in getting the transaction done," Hannah recalled. "Their debt was sky high and their capital structure was unattractive." However, Hannah and Nelson were determined to work out a deal, no matter how long it took. "We knew the Jorgensen people," said Hannah. "We knew Jim Hoffman. We knew Neil McCaffery. We liked all of them and they liked us. It just seemed like a real natural fit."

Finally, in early 2005, Sandy Nelson convinced Kelso that the only way it could sell EMJ was by putting its capital structure in order, and that the best way to do that was through an IPO. After holding EMJ for thirteen years—a long time by private equity standards—Kelso was willing to let Nelson take EMJ public once again. EMJ launched its IPO in April 2005, but the offering came up short, selling just 17.6 million shares instead of 20 million and netting only a disappointing $176 million of the $300 million target. While investors were still concerned about the company's finances, Dave Hannah was less so. He had originally planned to watch EMJ for two or three quarters, but after only one quarter, he decided that if Reliance did not pull the trigger then someone else might snatch EMJ out of the crosshairs. In the fall of 2005, Hannah called Kelso Managing Partner Frank T. Nickell and said, "Hey, let's get this deal done."

It took another six months to hammer out the complex stock transaction that was the basis of the deal. McCaffery noticed that Reliance leadership seemed to be unusually confident during the negotiations. Dave Hannah, Gregg Mollins, and Karla Lewis typically sat across the table from the EMJ team, and at one point McCaffrey tried to unnerve them. "Well, what about this deal worries you?" he asked. "The size of it? The scope of it? You've never done one this big. What exactly are you concerned about at this point?" The Reliance leaders looked at each other and replied, "Nothing." McCaffery was astounded. "Nothing?" he asked. "No," they replied. "Well, either you're really smart or really dumb," he laughed, "We'll find out."

Even as it pursued the EMJ acquisition, Reliance continued to invest in promising niche enterprises. In March 2006, Reliance strengthened its overseas presence by forming a joint venture to acquire Everest Metals (Suzhou) Co., Ltd. Everest was a metals service center company located near Shanghai in the People's Republic of China. It sold primarily aluminum products to the electronics industry and contributed approximately $6 million to Reliance's 2006 revenues. Subsequently, Reliance bought out its joint venture partner. The entry into China was to support an existing Reliance customer with significant business in the United States. This continues to be Reliance's international approach—opening small specialty service centers to support major domestic customers. On March 27, Reliance also purchased, through its Precision Strip subsidiary, certain assets of Flat Rock Metal Processing, with plants in Perrysburg, Ohio, and Portage, Indiana, bringing the number of Precision's Strip's operating facilities up to ten.

Then came the big news. On April 3, 2006, Reliance acquired EMJ—and assumed $253 million in debt—for $984 million. Reliance was a $4 billion a year company at the time. EMJ was a $2 billion company. It was Reliance's largest acquisition yet, and its first purchase of a public company. About half of the price was paid in cash while the other half came from issuing approximately 9 million shares of Reliance common stock. It was the first time that Reliance had used stock to make an acquisition. The deal also brought EMJ's

On the floor at Everest Metals (Suzhou) Co., Ltd. Acquisition of this metals service center near Shanghai took Reliance into China for the first time.

Machined aluminum shapes produced at Yarde Metals.

North American network of forty metals processing and distribution centers into the Reliance family, including key facilities in New England, the Midwest, and Canada.

Sandy Nelson retired on the day that the acquisition took place and was succeeded by Neil McCaffery. It did not take McCaffery long to come to appreciate Reliance management. "It turns out that they were really smart," he admitted. McCaffery remained EMJ's President and CEO until 2011, when he retired and was succeeded by James Desmond.

Jim Hoffman became EMJ's Chief Operating Officer at the time of the acquisition. He was particularly excited about becoming a part of Reliance. "We really can't control this," he exclaimed, "but gosh, what a great outcome. If Reliance is going to buy us, then this is good." Mollins appreciated having Hoffman as EMJ's COO. "He and I clicked like this," Mollins said, snapping his fingers. "That was the largest acquisition at the time and it was the easiest, literally, because EMJ had one culture."

In April 2008, on Mollins' recommendation, the Reliance Board elevated Hoffman to Senior Vice President, Operations, making him responsible for a number of subsidiaries, including EMJ. Reflecting on his experience since the acquisition, Hoffman stated, "I love the passion and simplicity that is Reliance. It's a complex organization that has been run on some very core, very simple values, and it's fun to be a part of it."

NEW FINANCIAL MUSCLE

Reliance's acquisition of EMJ sent shockwaves through the metals service center industry and drew even broader media attention. The *Los Angeles Business Journal* reported that in buying EMJ, Reliance "took a big step in solidifying itself as one of the major distributors of steel and aluminum products in North America." *Metal Center News* evoked a metallurgical allusion, using the term "alloyance" to describe the acquisition. "Like metals that are melded to create desirable new alloys," it declared, "the alliance of Reliance and EMJ creates a competitor with formidable strength." The impact of the EMJ acquisition was immediately evident in Reliance's 2006 second quarter earnings: sales jumped ninety-one percent to $1.56 billion. Reliance was on track for its biggest year yet.

In August, barely three months after closing the EMJ deal, Reliance made another big purchase, acquiring Yarde Metals, Inc., based in Southington, Connecticut. Yarde's net sales, which hit $385 million in June 2006, made it Reliance's second largest acquisition in terms of revenue. The company was founded in 1976 by Craig Yarde. At first, Yarde operated out of his Bristol, Connecticut, basement and made deliveries in his station wagon while his three-year-old daughter Tracy answered the phone. In 1977 he partnered with his brother, Bruce. Within ten years their company had moved into a 40,000-square-foot facility, and had built a reputation for processing and distributing stainless steel and aluminum plate, rod, and bar products. In the 1990s the family-run company began expanding, setting up headquarters in Southington and establishing branch locations in East Hanover, New Jersey; Limerick, Pennsylvania; and Streetsboro, Ohio. Yarde expanded further in the 2000s with new metals service centers in Pelham, New Hampshire; Hauppauge, New York; and High Point, North Carolina.

By mid-decade, however, Yarde Metals was facing the challenge of how to transition the company beyond the founding generation. The problem was particularly acute

Sawing aluminum plate at Siskin Steel & Supply. In 2007, Siskin acquired Industrial Metals Supply and its satellite operation, Athens Steel.

because Bruce Yarde was intent on exiting soon. "Is there anyone out there we could sell the business to in order to keep it running?" asked Craig Yarde. He already had an answer, having known Gregg Mollins since both served on the Board of Directors of the National Association of Aluminum Dealers. The discussions progressed quickly on the basis of the already-established relationships and the acquisition was completed in August 2006.

In keeping with standard Reliance practice, Yarde's management and employees remained in place, with Tracy Yarde-Smith—who had succeeded her father as soon as he began planning retirement—serving as President until her Chief Operating Officer (and husband) Matthew Smith took over in November 2008. Some longtime employees were skeptical of Reliance's promises not to change the Yarde culture. "It took a while for them to see that we would stand true to that," observed Smith, some years later. "Culturally, at the operating level, we are very similar to what we were before the acquisition," he concluded. "There's a family-oriented feel."

All of these big acquisitions propelled Reliance onto an even higher plane financially and allowed the company to reshape and broaden its options for funding future acquisitions and operations. In November 2006, Reliance replaced its $600 million credit line with a $1.1 billion five-year, unsecured syndicated line that offered more cash at more favorable pricing than before. The new credit line could be increased to $1.6 billion with lender approval. Following a series of complex financial moves to take advantage of its expanded credit, Reliance paid down some of its debt and issued investment grade debt instruments, including $350 million in ten-year notes and $250 million in thirty-year notes. These investment grade notes, rated Baa3 by Moody's and BBB- by Standard & Poor's, raised Reliance to a new level in the capital markets and lowered the cost of capital significantly, providing Reliance with the financial muscle required to keep swinging in the big leagues.

Reliance flexed this muscle in early 2007 with the January acquisition of Crest Steel Corporation, headquartered in Carson, California. Founded in 1963, Crest specialized in carbon steel products, with net sales in 2006 of $133 million. Also in January, Reliance subsidiary Siskin Steel & Supply Company acquired both Industrial Metals and Surplus, Inc., based in Atlanta, and a related company, Athens Steel, Incorporated, located in Athens, Georgia, which was merged with Industrial Metals and Surplus after the acquisition. Indus-

Tube and custom aluminum extrusions produced by Clayton Metals, Inc., acquired by Reliance in July 2007.

trial Metals was founded in 1978 and specialized in carbon steel structural elements and flat-rolled and ornamental iron products. Industrial Metals' Atlanta facility was larger and more efficient than Siskin's Georgia Steel Supply Company, and so Reliance consolidated the two operations into an Atlanta service center later that year.

In February, Reliance expanded into Western Canada in a big way by acquiring the Encore Group of metals service center companies. Organized in 2004 from a number of predecessor companies, the group included Encore Metals, Encore Coils, Team Tube in Canada, and a sales arm, Encore Metals (USA) Inc. Headquartered in Edmonton, Alberta, and primarily serving the big oil sands projects underway in the region, Encore specialized in alloy and carbon bar and tube, stainless steel sheet, plate and bar, and carbon steel flat-rolled products. With seventeen facilities, mostly in western Canada, Encore had netted sales approaching C$259 million the previous year. In July, Reliance acquired Clayton Metals, Inc., based in Wood Dale, Illinois. The thirty-one-year-old company averaged more than $50 million in annual sales and specialized in aluminum, stainless steel, copper and brass flat-rolled products, custom extrusions, and aluminum circles. It owned or controlled metals service centers in Wood Dale, Illinois; Cerritos, California; High Point, North Carolina; and Parsippany, New Jersey.

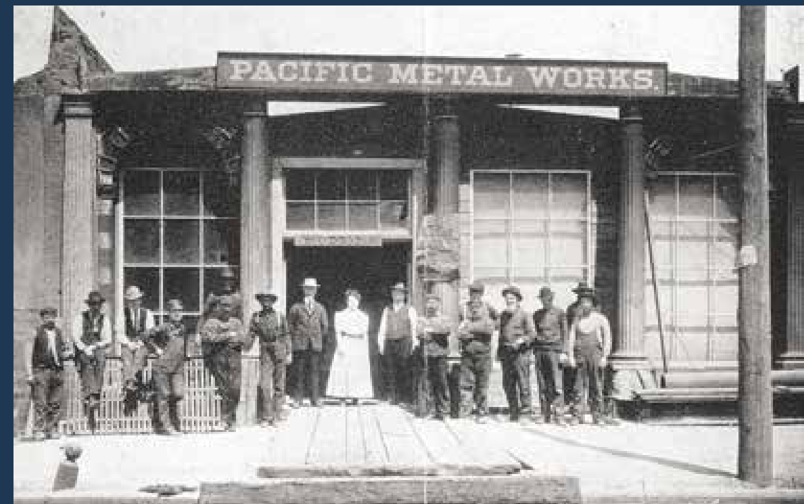
In October 2007, Reliance made new inroads into Europe when it acquired Metalweb Limited. Headquartered in Birmingham, U.K., with three service centers located in London, Manchester, and Oxford, Metalweb had been created six years

SURVIVING AND THRIVING

Pacific Metal Company began as Pacific Metal Works in San Francisco in 1876. Its founder, Frederick K. Morrow, produced lead solder for California linotype printers and fish canneries. In 1883, Frederick's brother William N. Morrow opened a second facility in Portland, Oregon, to serve newly emerging industries in the Pacific Northwest. The company also began producing Babbitt metal, an alloy used in the logging industry, and started importing British steel via Cape Horn. In 1893, Pacific Metal entered the aluminum business, becoming the sole distributor in the Pacific Northwest for a time.

In 1909, after the great earthquake and fire had destroyed the San Francisco location, the Morrow family moved Pacific Metal's headquarters to Portland. William's son, Harry F. Morrow, took over the company management and concentrated on developing the Pacific Northwest market. The remaining California business was sold in 1913 and the company was renamed Pacific Metal Works of Oregon. It changed its name again in 1922 to Pacific Metal Company.

Pacific Metal expanded its territory after World War II by opening or purchasing facilities in Seattle, Washington (1947); Boise, Idaho (1953); Spokane, Washington (1962); Medford, Oregon (1968); Eugene, Oregon (1972); and Billings, Montana (1977). By the early 1980s, the Morrow family was out of the business and the company itself was in danger of being sold off. To save it, Chief Executive Officer Don Peck arranged for the creation of an Employee Stock Ownership Plan (ESOP) and in January 1984, Pacific Metal became a sixty-percent employee-owned operation. The company's former top-down corporate paternalism—common in many family-owned businesses—was transformed into a dynamic bottom-up management culture based on employee teamwork and initiative. The company took tremendous pride in the fact that when you spoke to a Pacific Metal employee, you spoke to an owner. "We expect the people doing the job to come up with ideas to improve the job," Peck later commented.



Pacific Metal was acquired by Metals USA in 1998, and then in 2002 by Reliance after Metals USA filed for bankruptcy. In keeping with the Reliance philosophy of decentralization, and because Reliance understood the value of the Pacific Metal Company name to employees as well as its strong brand reputation, the company name was changed back to Pacific Metal Company—much to the delight of its employees.

In the spring of 2004, Pacific Metal reluctantly moved its headquarters from Portland's South Waterfront district to suburban Tualatin, Oregon. Meanwhile, Pacific Metal Company has played a key role in the Reliance network by servicing the important Pacific Northwest markets. John "Sandy" Nosler, a metals industry veteran with over four decades of experience, serves as the company's current President and CEO. He reflects that "my experience with Reliance is one of tremendous gratitude for giving some 130 families the opportunity to continue with their livelihoods in the metals service center industry. We somehow managed to survive this process without the loss of a single employee or customer. That, combined with the total support of Reliance, has allowed us to have the most profitable years in our long history. It is fun to be a small part of the 'best of the best.'"

Longtime Reliance employee Frank McEntaffer scans sheet steel inventory at the Vernon warehouse.

Cold rolled coil and sheet at Delta Steel, Inc., which became part of the Reliance family with the August 2008 PNA acquisition.

earlier in a management buyout. It specialized in aluminum and aluminum alloys of all types in plate, bar, sheet, and extruded shapes. Metalweb was financially strong, having netted $53 million the previous fiscal year. It also had a strong management team, said Hannah, and was "eager to continue to grow both within the U.K. and beyond." The acquisition better positioned Reliance to take on competitors in Belgium, France, and Germany.

The company said good-bye to one of its most respected officers on October 19, 2007, when, after almost forty-five years with the company, Joe Crider announced his retirement as Chairman of the Board of Directors. Bill Rumer had retired from the Board in 2004 and Bob Henigson the next year, so Crider was the last of the "old guard" from the 1960s. Dave Hannah was elected to succeed Crider. Publicly, Crider assured the industry that Hannah was "essential to the future success of Reliance and will continue to guide the Company's outstanding management team going forward." He later privately commented, "Dave knows the business probably better than I'll ever know it. He does a good job." Hannah was equally magnanimous, avowing that "We recognize the wisdom, guidance, and accomplishments that Joe has contributed to Reliance throughout his stellar career and we also appreciate his dedication to the Company's growth and success." Crider remained a Director until his term expired the following May.

RECORD ACQUISITION, RECORD RECESSION

While making these management transitions at home, Reliance continued to track the global electronics industry

Slitting coil at Feralloy Midwest.

and to build up its presence in Asia. Valex President and COO Dan Mangan had good reason to keep his eye on the forecasts regarding the rapidly changing industry. Mangan was convinced "that China would eventually become the largest market for our semiconductor, LCD, and solar customers and would also serve as a lower-cost manufacturing platform for export to other markets." Reliance moved quickly. In December 2007, Valex opened a new plant in the People's Republic of China, named Valex China Co. Ltd. Located in the Nanhui district of Shanghai, Valex China was 100-percent-owned by the Hong Kong joint venture company Valex Holdings Ltd., which in turn was eighty-eight-percent-owned by Valex Corp. The new company produced ultra-high purity tubes, fittings, and valves for the semiconductor, LCD, and solar industries, and the new operation raised Valex's profile among the manufacturers in the global electronics industry.

Reliance resumed its acquisitions in April 2008, when its Tacoma-based subsidiary Service Steel Aerospace Corp. acquired Dynamic Metals International, located in Bristol, Connecticut. In September, Reliance bought the inventory, machinery, and equipment of the Singapore operation of HLN Metal Center Pte. Ltd., which served the electronics, semiconductor, and solar energy markets. The operation was renamed Reliance Metalcenter Asia Pacific Pte. Ltd.

Both of these acquisitions—in fact, nearly all of the previous acquisitions—were dwarfed by the purchase of the PNA Group Holding Corporation that year. The company was assembled by a private equity firm seeking to duplicate Reliance's strategy of combining smaller service centers into a

Reminiscent of modern sculpture, these shapes were turned out for customers by Precision Flamecutting and Steel of Houston, Texas, acquired by Reliance with PNA in 2008.

national company. PNA consisted of Delta Steel, Inc.; Feralloy Corporation; Infra-Metals Co.; Metals Supply Company, Ltd.; Precision Flamecutting and Steel, Inc.; and Sugar Steel Corporation. The six companies specialized in carbon steel plate, bar, structural, and flat-rolled products for the nonresidential and construction markets and operated twenty-three steel service centers throughout the United States. PNA also operated six additional service centers in the United States and Mexico on a joint venture basis. The price tag for PNA was $1.1 billion in cash, making it Reliance's largest purchase ever—only EMJ came close. Reliance considered doing a secondary stock offering to finance the deal, but valuations in the market were dropping and there was not enough demand to make it viable. Since the seller did not want to accept Reliance common stock as partial payment, Reliance drew on its existing $1.1 billion credit line and negotiated a $500 million senior unsecured loan to buy the group. The acquisition was completed on August 1, 2008.

Reliance management believed that acquiring PNA was a big step forward for Reliance's growth strategy because it simultaneously provided product diversity, new businesses, and wider geographic coverage. But integrating PNA ultimately proved problematic. Gregg Mollins called it "the most difficult acquisition we've ever made." Despite its multiple

PNA was heavy with carbon steel, which presented Reliance with a challenge at the outset of the Great Recession of 2008.

Tom Gimbel

locations, EMJ had only one corporate culture. Every PNA location, on the other hand, seemed to have its own way of doing things. And while EMJ and Reliance agreed upon the fundamentals, PNA did things very differently. PNA, for example, bought most of its steel offshore. Reliance, in contrast, obtained ninety-five percent of its supply from North America, and had been purchasing more and more steel at home since the rise of the U.S. "mini-mills." PNA was very slow in turning over its inventory; Reliance kept its stock moving as quickly as possible. Mollins took over direct oversight of the PNA companies and gently began to remedy these problems. "I had to convert all their cultures into buying American and increasing their inventory turns," he recounted. Then, events beyond anyone's control intervened to force the PNA group to adhere to the Reliance model.

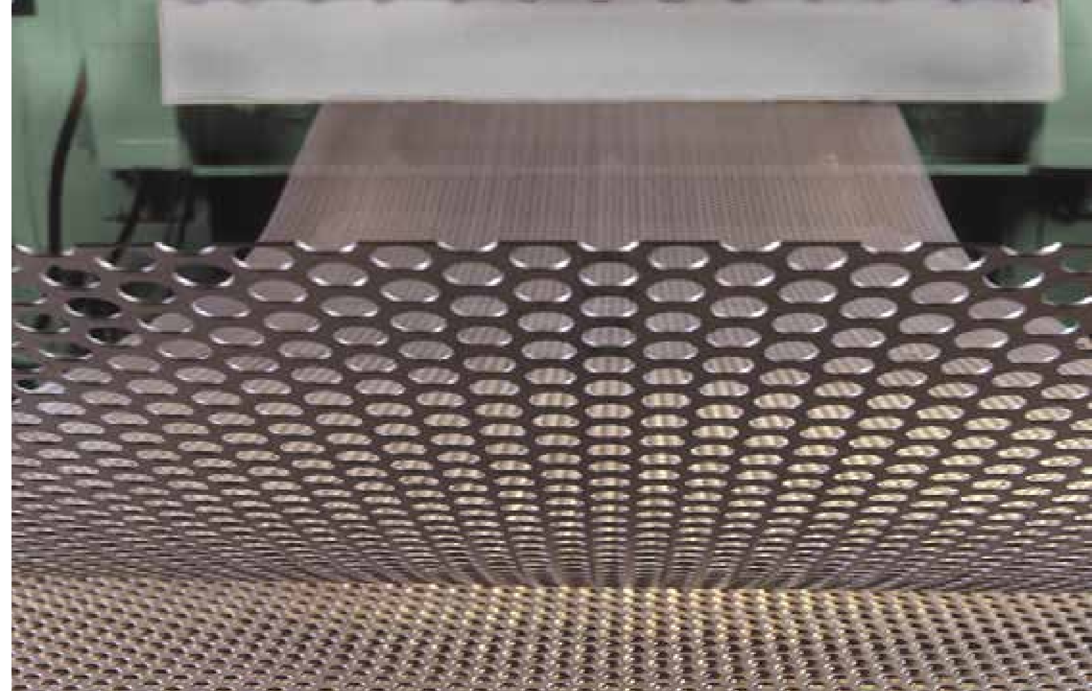
In September 2008, only six weeks after the PNA acquisition, the U.S. economy suddenly nosedived when the housing bubble, which had been inflating for years, finally burst. Several large and well-known financial institutions collapsed and others were badly damaged. The entire global economy felt the impact, as credit and liquidity dried up virtually overnight and trillions of dollars in wealth evaporated. Stock markets tumbled, businesses closed, over 2.8 million homes were foreclosed, and millions of people were thrown out of work. The Great Recession, as it came to be known, was the worst financial crisis since the Great Depression of the 1930s.

Reliance's leaders were no more certain than anyone else about the depth of the crisis when it first hit. Dave Hannah was optimistic during an October 16 conference call. "It's not as bad out there as you probably think, given nothing but non-stop negative news about 'buyer's strikes' and 'demand destruction' and all the other things that could go wrong with the economy," he assured analysts. He did admit, "We do not know if we are in a recession or not, or just what the real economic environment will be over the next couple of quarters," but he assured the analysts that "we have worked through more difficult times than this before and we expect to be able to do so again." Mollins agreed. "My view of industrial America is not nearly as pessimistic as what I read in the papers or see in the news," he said. "We have navigated our way through much more difficult markets than the one we are in now."

Karla Lewis was more guarded as she outlined Reliance's contingency plans. "Although we believe the fundamentals of our business and ability to generate cash flow are strong," she said, "because of the global credit tightening, we are limiting our uses of cash to the most important capital expenditure items and maintaining dividends to our shareholders." There was good reason for cautious optimism, as 2008 was shaping up to be another record-breaker for Reliance with the highest ever revenues and profits. Further, Reliance had diversified in such a way that when a single product line or even several lines slumped, the rest could take up the slack. This time though, things were different.

In the two weeks after the conference call, manufacturing continued to weaken, commercial construction slowed to a halt, and orders were cancelled. On November 1, the bottom dropped out of Reliance's markets. Mill pricing and product demand plummeted and gross profits and operating margins went into a free fall. "It was like someone turned out the lights and went home," recalled Reliance Board member Tom Gimbel. Mollins added, "Every single solitary industry that we support throughout the entire North American continent was dead. Everything. Normally we have something to rely on, but not this time. Everybody's business was terrible."

The PNA group was heavy with carbon steel and hit hard by the crash. Just as Mollins was trying to get the new acquisition into shape, "the phones quit ringing." Normally, Reliance gave its new acquisitions leeway to make the necessary transitional adjustments, but there was no time for that now. Mollins quit trying to reason with managers who preferred to do business the old way. He fired one particularly troublesome manager and then laid down the law: if they were going to survive the crisis, then it was going to be Reliance's way or the highway.



Sheet metal rolls out of a perforating press at the 95-year-old Diamond Manufacturing Company, acquired in 2010.

"That sent a shockwave through the rest of the group," Mollins remembered, and so "they got on board."

As the recession deepened and persisted, Reliance leaders had to take drastic action to protect the rest of the corporation from the ripple effects of the widening national economic collapse. They adopted a "keep-it-simple approach" and focused on what they could control. Inventories were the first line of attack. From September 30, 2008, to June 30, 2009, Reliance's entire inventory was halved, dropping in value from $2.2 billion to $1.1 billion. "The faster you liquidate it, the better off you are," Mollins explained. Of course, Reliance had to keep some metals on hand, so whenever possible, it arranged for its subsidiaries and divisions to buy internally, from each other, thus keeping the money within the corporation. But inventory reduction and internal purchasing alone could not keep the company profitable. Personnel accounted for about sixty percent of operating expenses, so layoffs were inevitable; those began in November 2008. It was a tough duty for Reliance managers, especially before the winter holidays, but critical to stemming an even bigger blood-letting. In the

THE GENTLEMAN BEHIND EMJ

Earle Mogensen Jorgensen was among the most respected of men in the metals service center industry. He was born in San Francisco in 1898 to Danish immigrants. His father was a sea captain and during the 1906 earthquake, the family took refuge on his ship in San Francisco Bay. When Jorgensen was just thirteen years old, his father died so he quit school and went to work. In 1914, at the age of sixteen, Jorgensen saw a magazine article entitled, "Hustle—That's All!" It became his personal motto. He subsequently worked during the day and completed high school at night.

After serving the U.S. Army's 1st American Tank Corps during World War I, Jorgensen settled in Los Angeles. With only a suit, a chair, and twenty dollars, he rented a tiny office downtown and began strolling back and forth along Alameda Street with a notebook, buying and selling scrap metal and used equipment. One day in Long Beach, Jorgensen noted a pile of scrapped periscope shafts at a submarine salvage yard, not far from the new oil fields at Signal Hill. In the summer of 1921, an oil boom struck Signal Hill and the prospectors there desperately needed steel components to drill more wells. Jorgensen went down to an oil patch with his notebook and, pointing to his drawings of the periscope shafts, said "Hey, I know where there's some tubing. Would that work?" "Sure," the oil men replied. Jorgensen arranged the sale of the scrapped shafts to the oil drillers, took a cut for himself, and was in business.

Earle M. Jorgensen Company, known as EMJ for short, was incorporated in 1924. It soon branched out to other industries, but oil and gas remained a specialty. Always a gentleman, Jorgensen established a strict dress code of white shirts, ties, and suits for his male employees. Outside salesmen, executives, and managers were also required to wear hats.

Jorgensen married Marion, his wife of forty-seven years, in 1953. She was a friend of Nancy Davis Reagan's, and through her Jorgensen formed a close friendship with Ronald Reagan. By some accounts, it was Jorgensen who convinced Reagan to run for governor of California. On election night in 1966, the Reagans were dining at the Jorgensens' Bel Air house when news arrived that Ronald had won that campaign. From then on, the Reagans always had dinner with the Jorgensens on election nights. Although he advised Reagan informally in the White House, Jorgensen declined to get involved in politics. Jorgensen remained active into old age. He told *Forbes* magazine, "I've always worked…I'm too busy to die." On August 11, 1999, at the age of 101, Jorgensen passed away at his home. "Earle Jorgensen was one of our oldest and dearest friends," Nancy Reagan told reporters, "and we will miss him terribly."

Earle M. Jorgensen with Nancy Reagan in 1974.

first two months, Reliance laid off 850 employees; another 1,650 following during 2009. In total, about twenty-three percent of the entire company workforce was let go.

Despite the onset of the Great Recession, 2008 ended up as a banner year of sorts, with sales reaching an all-time high of $8.7 billion and net income approaching $483 million, more than double what it had been just four years earlier. As it had in the earlier recession, Reliance used this available cash to pay down debt, helping ensure the company's survival in tough times.

In 2009, as the global economy continued to decline and the company continued to cut, there was little time to celebrate Reliance's 70th anniversary and its 15th year as a publicly traded company. The company actually lost money during the period from April to June, but after that the emergency measures began to take hold. Sales declined thirty-nine percent to $5.3 billion and net income dropped to $148 million, but with its units running more efficiently (same-store operating expenses were down twenty-two percent from 2008) and its debt to capital ratio down to 25.6 percent (from 41.4 percent in 2008), Reliance was much stronger than it had been before the recession. Indeed, it was the only publicly traded metals service center company in the United States that made money in 2009. The ratings agencies were so impressed that they maintained Reliance's investment grade rating. "It was not a year that we will soon forget," noted Tom Gimbel, while Gregg Mollins simply stated that the results were "pretty awesome."

The year 2009 was a tough one, but on September 15, Reliance celebrated fifteen years on the New York Stock Exchange, earning Dave Hannah the right to ring the closing bell. From left: Richard Adamonis of NYSE Euronext, Kim Feazle of Reliance Investor Relations, Dave Hannah, Karla Lewis, and Gregg Mollins.

WRITING THE STORY OF THE FUTURE

Reliance entered 2010 a leaner and stronger company. The energy, automobile, appliance, and heavy equipment industries were all rebounding, bringing renewed demand for carbon steel products. The electronics and aerospace industries were also coming to life, which was good news for Reliance's non-ferrous operations. "We have survived the worst," Hannah informed shareholders in April 2010, "and are now in a great position to take advantage of any improvement in business conditions." There were no immediate plans for acquisitions; instead Reliance planned on growing internally in the short term, and "concentrating on the basics, keeping it simple, keeping our employees safe, and being honest and fair in all our dealings."

One thing still limiting the corporate appetite for investment was continued weakness in non-residential construction, the largest single market for Reliance's products. This was essentially a carbon steel market, and as a result Reliance

Cutting pipe at Continental Alloys & Services, Inc., a 2011 Reliance acquisition that serves the oil and gas industry.

FLORENCE NEILAN: NEVER FINISHED

Florence Almeta Gimbel Neilan was born in Los Angeles in 1914. She remained with her mother after her parents divorced, but May Neilan Gimbel had trouble making ends meet, so Florence endured living with relatives and seldom saw her brother Bill, who had stayed with their father. In 1928, May Gimbel died and Florence moved in with her uncle Thomas Neilan and his wife Mae, eventually taking their last name as her own. In the late 1930s she started her own life as a stenographer in the Los Angeles area.

In 1945, Florence joined the U.S. Foreign Service. She reported to Washington, D.C., for training on April 12, the day that Franklin Roosevelt died. Her job included issuing visas, and she spent most of her time abroad in Chile, Algeria, and Tunisia. Florence left the Foreign Service in 1951 after her Uncle Tom's health began declining and settled down back in Los Angeles.

According to family members, Florence was an exceptionally independent woman and happy to hold a job in office or secretarial work. But she was old fashioned in the sense that she generally deferred to men in business and financial management matters. In 1961, she inherited a large portion of Reliance stock and was able to support herself on the dividends. Shaped by an impoverished childhood, Florence counted her pennies and rented the same apartment for years, despite becoming ever wealthier as Reliance's largest stockholder.

Tom Gimbel knew his thrifty aunt well. "Florence would always tell you like she saw it," he recalled. "She was always fun and people never suspected that she was rich." To occupy her time, she flew or drove to various places to visit longtime friends. Florence was also a member of multiple bridge groups and played regularly each week. Gimbel used to ask her what she spent her days doing and she invariably answered, "I don't know, but it is never finished."

Finally, even Florence Neilan realized that things were nearly finished. In 2006 she transferred her 8.4 million shares of Reliance stock to the newly created Florence A. Neilan Trust, with her nephew Tom Gimbel as trustee. She died on May 16, 2009, at age 94.

Tom and Florence Neilan during the 1930s

Precision slitting at McKey Perforating Company, a 145-year-old company acquired by Reliance subsidiary Diamond Manufacturing in February 2012.

became hesitant to consider new acquisitions in that sector, particularly if there was any question about reputation, management, or customer service.

In addition, the near disaster of 2009 had left the company shaken, and management continued to operate under the assumption that economic collapse could happen again. "The experience of 2009 has taught us that we need to be careful so as not to become focused on moving the needle," observed Tom Gimbel. "That does not mean that we will not grab a whale if it is the right one. But we will look twice before throwing the harpoon."

Coming out of the Great Recession, acquisition opportunities in the market were generally small specialty metals companies that were serving strong end markets such as energy, or were offering higher value-added processing. In the fall of 2010, Reliance purchased Diamond Consolidated Industries, Inc. It was an old company, founded in 1915 and headquartered near Philadelphia. Diamond Consolidated had subsidiaries in Wyoming, Pennsylvania; Michigan City, Indiana; and Charlotte, North Carolina, and specialized in precision-engineered perforated metals and custom punches for tools and dies. Diamond's offerings dovetailed well with Reliance's strategy—it was a high-margin business serving agriculture, office equipment, electronics, appliance, automobile, and architectural industries. Following the October 1 acquisition, the renamed Diamond Manufacturing Company became a subsidiary of Reliance.

Just two months later, on December 1, Reliance made a well-considered return to carbon steel, acquiring the Portland, Oregon-based Lampros Steel, Inc. Reliance also took a related interest in Lampros Steel Plate Distribution LLC, which owned a fifty percent interest in a partnership called LSI Plate, a carbon steel plate distributor established in 1999 with locations in California and Oregon. Lampros Steel itself was founded in 1983 by father-and-son duo Milt and Marcus Lampros. Careful due diligence revealed that in addition to strengthening Reliance's presence in the Pacific Northwest, Lampros, with an outstanding reputation for customer service, would also be a good cultural fit. After the acquisition, Lampros operated as as part of American Metals Corporation, a Reliance subsidiary. Reliance closed out 2010 with net income up thirty-one percent to $194 million on sales of $6.3 billion.

As the global economy continued its slow recovery in 2011, Reliance invested in the future, sinking $156 million into capital expenditures—the highest amount ever in company history. Reliance made one acquisition during the year in the highly strategic energy sector. Continued instability in the Middle East had spurred foreign and domestic oil exploration, so in August 2011 Reliance seized an opportunity to acquire Houston-based Continental Alloys & Services, Inc. and its subsidiaries. Continental, founded in 1976, was a leading global materials management company dealing in high-end steel and alloy pipe, tube and bar products, and precision tools designed for oil well completion projects. It operated

in twelve locations in seven countries including Canada, Malaysia, Mexico, Singapore, the United Arab Emirates, the United Kingdom, and the United States. Reliance management believed that the acquisition was an excellent fit and noted that it "increased our exposure to the fast-growing energy market, expanded our product breadth to include Oil Country Tubular Goods (OCTG) products, added valuable new processing services, such as CNC machining and threading, and expanded our presence into new international markets."

Given favorable credit markets and Reliance's plan to continue to grow through investments in existing operations and acquisitions, Reliance amended and extended its credit line to $1.5 billion, with an option to increase it by $500 million if needed, and obtained lower interest rates. Sales for 2011 attained pre-recession levels, rising twenty-nine percent from the previous year to $8.1 billion. Net income climbed even further, up seventy-seven percent to $344 million.

The next year, Reliance completed six acquisition deals. The first came on February 1, when Diamond Manufacturing acquired McKey Perforating Company, headquartered in New Berlin, Wisconsin, and its subsidiary, McKey Perforated Products Co., Inc., located in Manchester, Tennessee. McKey was a venerable family-run business dating back to 1867. It was a founding member of the Industrial Perforating Association, its industry trade group, and well known for its perforating innovations and customer service. Then in April, Reliance acquired National Specialty Alloys, LLC (NSA), a global specialty alloy processor and distributor of premium stainless steel and nickel alloy bars and shapes, and a company that primarily served the energy market. NSA was headquartered in Houston and had additional locations in Anaheim, California; Buford, Georgia; and Tulsa, Oklahoma. That same month Precision Strip purchased the assets of Worthington Steel's processing facility in Vonore, Tennessee. The Vonore site began operating as a Precision Strip facility, providing toll processing and delivery of carbon steel, aluminum, and stainless steel products to customers in the Southeast. The addition brought the number of Precision Strip tolling facilities operating throughout the United States and Mexico to twelve.

At mid-year, Reliance established an Australian subsidiary, Bralco Metals (Australia) Pty Ltd. In July, Bralco Metals Australia purchased substantially all of the assets of Airport Metals (Australia) Pty Ltd, a Melbourne-based stocking distributor of aircraft materials and supplies. Dave Hannah explained the rationale behind the move: "This strategic asset purchase will allow our existing Bralco Metals business to have a physical presence in the Australian market where they currently service aircraft and other key customers from our U.S. operations. This is our first entry into Australia and we are excited to leverage the strong reputation that Airport Metals has built in this area."

In October 2012, Reliance capped off these niche acquisitions with the purchase of another energy specialist, Sunbelt Steel Texas, with operations in Houston and Lafayette, Louisiana. That same month, Reliance subsidiary Feralloy Corporation acquired GH Metal Solutions, Inc., a carbon steel products processor and fabricator located in Fort Payne, Alabama.

Altogether, these six acquisitions added $112 million to Reliance's 2012 sales, creating another solid post-recession year. While demand for certain metals products waned late in the year due to continued economic and political uncertainty around the world, Reliance management was pleased with the

"THE HONOR WAS ALL OURS"

When Bert Tenenbaum, then President of Reliance subsidiary Chatham Steel Corporation, heard that Barack Obama was planning to visit Savannah, Georgia, he worked a long chain of professional and political contacts to extend an invitation to President Obama to tour the plant. The White House accepted.

Shortly after 1:30 p.m. on March 2, 2010, the presidential motorcade pulled up to Chatham's front door and President Obama walked in. For a few minutes, he met privately with Tenenbaum; they chatted about healthcare and Chatham's progressive employee wellness plan. Then, accompanied by Tenenbaum, Chatham Vice President and COO Mike Young, and Plant Supervisor Victor "Vic" Johnson, Obama toured the facility. He went from station to station and spoke with each of Chatham's 120 employees, including the night shift workers who had stayed for the special occasion. "How are you? What are you guys working on?" Obama asked. One of them, Senior Operator Kenneth P. Maddox, gave a demonstration of an automatic processing machine. The President was impressed, asking, "You do this all to spec based on this programming?"

The tour lasted twenty-five minutes. When it was time to go, Obama told the Chatham team to "keep up the good work!" and rode off to his next venue. He had left a lasting impression. "It was absolutely an honor to have the President of the United States come visit our company," said Tenenbaum. "It's something you don't even put on a list of things you want to do in your life because you never expect it to happen, and I am especially happy for the people who work here. It was an almost surreal experience." "It seemed as if he felt honored to be invited here," said Plant Supervisor Vic Johnson. "But the honor was all ours."

From left: Anthony Murfree, Davinci Mack, President Obama, and Lindsay Hunt.

Reliance top management in early 2013. From left: Bill Sales, Steve Koch, Gregg Mollins, Sheldon Tenenbaum, Dave Hannah, Jim Hoffman, and Karla Lewis.

corporation's performance. Things had gone just as planned: continued pressure on average selling prices had been offset by Reliance's new higher-priced offerings for high-growth industries. Total sales in 2012 were up 3.8 percent to $8.44 billion and net income was up 17.4 percent to $403.5 million.

The first page of the 2012 Annual Report laid out these accomplishments, and unveiled an updated Reliance logo and a new vision statement:

> *Our history is the key to writing the story of our future. We strive to be the market leader, committed to setting industry leading standards in all measures of business performance and customer service. We encourage all of our employees to exhibit the highest levels of personal integrity, teamwork, and appreciation for our diverse individual and company cultures. We believe in always treating people fairly, whether employee, supplier, or customer, while always looking for ways to improve our service and contribution to the communities in which we live and work.*

Dave Hannah added, "Not only are we reflecting and remembering from where and how far we've come, we're pursuing our future with renewed passion and energy with the honesty, integrity, humility, and compassion that has, and will continue to define us." It was a succinct declaration

Flame cutting at the Muskogee, Oklahoma, warehouse, one of 48 service centers acquired in the April 2013 purchase of Metals USA.

of Reliance's historical legacy, its bedrock principles, and the best possible indicator of the company's direction in the coming years.

Underscoring that declaration was another bombshell: On February 6, 2013, Reliance announced an upcoming $1.25 billion acquisition, the largest in its history. Metals USA Holdings Corporation, based in Fort Lauderdale, was a consolidation of forty-eight metals service centers assembled by private equity firm Apollo Global Management LLC. Metals USA was initially formed as a roll-up, acquiring several private metals service center companies with their stock and merging them into a centralized company run by people from outside of the metals service center industry. This strategy did not work well and ended with a bankruptcy in 2002. Apollo purchased Metals USA out of bankruptcy and brought in a number of new managers.

One of the few who made the transition, however, was Robert McPherson, an industry veteran and now Metals USA Chief Financial Officer. He and his colleagues considered Reliance the "best in class" metals service center company and were determined to emulate it. Metals USA was particularly impressed by Reliance's breadth of products and its record of good, solid acquisitions. "We attempted to close the gap through value-added processing," McPherson later acknowledged, but in the end, his team realized that "it was too late in the game to really catch up with Reliance." The team was nevertheless successful in making the individual service centers reputable in their local markets, enabling Metals USA to generate strong and consistent financial returns.

Reliance management had no doubts about the potential for further improvement of Metals USA as part of the Reliance family of companies. The acquisition, for $786 million cash and assumption of $454 million in debt, was completed on April 13, 2013. Having helped keep Metals USA "culturally accustomed to change and trying different approaches to improve itself" during the years of transition, McPherson was elevated to CEO of the new wholly-owned subsidiary. An important advantage, he noted, was the similarity between the company cultures at Reliance and Metals USA, "which has meant that the post-acquisition transition hasn't brought on too much of a dramatic change." Dave Hannah agreed. "The integration of Metals USA into the Reliance family continues to progress nicely," he told industry analysts in November, 2013. "We'd say there are just lots of good things happening."

Reliance's next acquisition was small in comparison, but promised good things no less. Haskins Steel was founded in Spokane, Washington, in 1955 to distribute carbon steel and aluminum to a highly diverse customer base in eastern Washington, northern Idaho, western Montana, and northeast Oregon. In 2012, Haskins had about 100 employees and sold about $31.5 million in metal products. On November 1, 2013, Reliance's wholly-owned subsidiary, American Metals Corpo-

An operator at work at Haskins Steel in Spokane, Washington, Reliance's fifty-sixth post-IPO acquisition.

ration, acquired Haskins, providing Reliance with its fifty-sixth acquisition since the 1994 IPO. In typical Reliance fashion, Haskins retained its name, its brand, and its leadership.

As Reliance prepared to enter its 75th year as a company in 2014, it could indeed be proud of just how far it had come since its humble beginnings in February 1939, when Tom Neilan sub-leased the corner of a Vernon warehouse to sell a few tons of rebar and recover a debt. Neilan did not at first intend his enterprise to be permanent, but seventy-five years later Reliance had become the largest metals service center company in North America, with 14,000 employees and a mighty network of more than 290 locations in thirty-nine states and eleven countries.

Reliance's leaders each considered the company's legacy and its future from complementary perspectives. Karla Lewis reflected, "Just being able to maintain the values of Reliance while growing into a big public company is probably its biggest accomplishment." Gregg Mollins added, "Our job is to not become the 800-pound gorilla but to keep it small, because when you're small, you're nimble, and when you're nimble, you're efficient, and when you're efficient, you're satisfying customers and employees." He also insisted that there was a personal element to Reliance's continuing success. "We have a tremendous amount of loyalty and compassion for our people and they know it," he observed. "We're there for them when they need us, and they're there for us. That's a special environment to have when you know somebody's got your back."

Dave Hannah was just a bit wistful. "You just hope that Bill Gimbel and the folks upstairs are smiling down on us," he said. "Bill took a gamble by bringing in us youngsters who didn't know anything about the business," but, he added, "I think we've been doing it the right way." However, Hannah conceded that "we can always learn. We can always do better. We're not just the biggest in our industry. We're the best, I believe, and we need to stay the best."

As Reliance sits at the top of its industry, there is plenty of potential below and plenty of room to grow. From Neilan to Gimbel, from Crider to Hannah, four generations of management has guided Reliance, each leaving it stronger and

Reliance Corporate Officers in 2013. Standing (left to right): Brenda Miyamoto, Sheldon Tenenbaum, Karla Lewis, John Shatkus, Steve Koch, Bill Sales, Sue Borchers, Gregg Mollins, and Kay Rustand. Sitting (left to right): Donna Newton, Don Prebola, Jim Hoffman, Silva Yeghyayan, and Dave Hannah. Not pictured: Will Smith

larger than before. Along with the growth of recent years has come a new generation of leaders expertly guiding their own parts of the Reliance family for the good of the whole. In the years to come, as Reliance prepares to turn that next corner, there can be no doubt that it will be blessed with an abundance of talent. If history is any guide, succeeding generations will stick to the growth-by-acquisition strategy. As late as 2014, the metals service center industry remained highly fragmented, with Reliance serving five to six percent of the market at the most. "We're going to continue to keep our eyes open for acquisitions that increase our diversification in products, end markets, and geography," Hannah insisted, but he planned to continue "doing it the right way," with honesty, integrity, and humility—hallmarks of the company culture from the day that Tom Neilan set up shop in Vernon, all the way to the celebration of Reliance's 75th anniversary in the metals service center industry.

APPENDICES

APPENDIX I

EXECUTIVE MANAGEMENT 2014

David H. Hannah

Chairman of the Board & Chief Executive Officer

David H. Hannah has led Reliance as Chairman of the Board since October 2007 and has served as Chief Executive Officer since January 1999. Mr. Hannah joined the Reliance family as its first Chief Financial Officer in 1981; he became a director in 1992. Prior to his time at Reliance, Mr. Hannah, a certified public accountant, was employed by Ernst & Whinney (now Ernst & Young LLP) in various professional staff positions.

Gregg J. Mollins

President & Chief Operating Officer

Gregg J. Mollins started his career with Reliance in 1986 as Division Manager of Reliance's Santa Clara operation. After six years, Mr. Mollins was promoted to the role of Vice President and in 1994 became Chief Operating Officer. Mr. Mollins became a director in 1997 and since 2002 has served as the Company's President. Prior to joining Reliance, Mr. Mollins held various positions in the metals service center industry.

Karla R. Lewis

Executive Vice President & Chief Financial Officer

Karla R. Lewis was named Executive Vice President and Chief Financial Officer in January 2002, having previously served as Senior Vice President and Chief Financial Officer and Vice President and Chief Financial Officer. Ms. Lewis joined Reliance as Corporate Controller in 1992. Prior to that, she was employed by Ernst & Young in various professional staff positions. Ms. Lewis is a certified public accountant.

James D. Hoffman

Senior Vice President, Operations

James D. Hoffman was appointed Senior Vice President, Operations in October 2008. Prior to this appointment, he served as Executive Vice President and Chief Operating Officer of Earle M. Jorgensen Company, a Reliance subsidiary, and he held various other management roles at EMJ since joining them in 1991.

Stephen P. Koch

Senior Vice President, Operations

Stephen P. Koch became Senior Vice President, Operations in April 2010. From July 2007 until he joined Reliance, Mr. Koch had been President of Chapel Steel Corp., a subsidiary of Reliance. Prior to that, he held various positions at Chapel Steel, including Executive Vice President, Vice President, and Sales Manager since joining them in 1988.

William K. Sales, Jr.

Senior Vice President, Operations

William K. Sales, Jr. joined the Reliance family as Vice President, Non-Ferrous Operations in September 1997. He was named Senior Vice President, Operations in January 2002. Prior to his career at Reliance, Mr. Sales held various sales and management positions at Kaiser Aluminum & Chemical Corp., a Reliance supplier.

Sheldon U. Tenenbaum

Senior Vice President, Supplier Development

Sheldon U. Tenenbaum became Senior Vice President, Supplier Development in May 2009, after having served as Director of Supplier Relations for 10 years. He joined Reliance in 1998 following the acquisition of Chatham Steel Corporation, where he had served as Vice President. Mr. Tenenbaum has over 40 years of experience in the metals service center industry.

Susan C. Borchers

Chief Information Officer

Susan C. Borchers became the Chief Information Officer of Reliance in March 2012. Ms. Borchers was the Director of Information Technology at Precision Strip, Inc., a subsidiary of Reliance, from December 1997 to February 2012.

Brenda S. Miyamoto

Vice President, Corporate Initiatives

Brenda S. Miyamoto became Vice President, Corporate Initiatives in August 2012. Before this appointment she served as Vice President and Corporate Controller; Corporate Controller; and Group Controller. Prior to joining Reliance in 2001, Ms. Miyamoto, a certified public accountant, was employed by Ernst & Young LLP in various professional staff and managerial positions.

Donna M. Newton

Vice President, Benefits

Donna M. Newton joined Reliance in February 1999 as Director of Employee Benefits and Human Resources and was promoted to Vice President, Human Resources in January 2002. She became Vice President, Benefits in May 2011. Ms. Newton was Director of Sales and Service for the Los Angeles office of Aetna U.S. Healthcare, and held various other management positions over a 20-year tenure there, before becoming a part of Reliance.

Donald J. Prebola

Vice President, Human Resources

Donald J. Prebola was appointed Vice President, Human Resources in August 2011. Prior to this appointment, Mr. Prebola was Senior Vice President of Operations at Infra-Metals Co., a subsidiary of Reliance, from 2008 to July 2011. Prior to that he had served as Co-General Manager of Infra-Metals Co. since 1990.

Kay Rustand

Vice President, Of Counsel

Kay Rustand joined Reliance in January 2001 as Vice President and General Counsel, a newly created position, and was named Corporate Secretary in April 2010. Prior to joining Reliance, Ms. Rustand served as a partner at Arter & Hadden LLP, Reliance's corporate counsel. Ms. Rustand was a partner with Lawler, Felix & Hall upon that firm's merger with Arter & Hadden in 1989. She retired from Reliance on February 28, 2014.

John Shatkus

Vice President, Internal Audit

John Shatkus became Reliance's Vice President, Internal Audit in August 2012, having been promoted from Director, Internal Audit, a position which he had held since May 2005. Prior to joining Reliance, Mr. Shatkus was Audit Manager at Sempra Energy and held various management positions at Sempra Energy over a 20-year period, including Regulatory Affairs Manager and Accounting Manager.

William A. Smith II

Vice President, General Counsel & Corporate Secretary

William A. Smith II was named Vice President, General Counsel and Corporate Secretary in May 2013. Mr. Smith was formerly the Chief Legal Officer of Metals USA Holdings Corp., a Reliance subsidiary. Prior to joining Metals USA, he was General Counsel, Secretary, and Director of Corporate Development of Cross Match Technologies; Partner in the Corporate & Securities practice of DLA Piper; and practiced law at Hwang Mok Park & Jin in Seoul, Korea.

Silva Yeghyayan

Vice President, Tax

Silva Yeghyayan became Vice President, Tax of Reliance in August, 2012, having been promoted from Director, Tax, a position which she had held since October 2005. Ms. Yeghyayan was a tax consultant from April 2004 until she joined Reliance. She was Senior Tax Manager at Grant Thornton LLP from 2000 to 2004 and, from 1989 to 2000, held various professional staff and manager positions at Arthur Andersen LLP.

SUBSIDIARY OFFICERS

Bernie J. Herrmann .... President, Allegheny Steel Distributors, Inc.
Joseph B. Wolf, Sr. .... President, Aluminum and Stainless, Inc.
Nicole Heater .... President, American Metals Corporation
Scott A. Smith .... President, AMI Metals, Inc.
Brian M. Tenenbaum .... President, CCC Steel, Inc.
Stanley J. Altman .... President, Chapel Steel Corp.
Jerome Rooney .... President, Chatham Steel Corporation
Brian K. Cleveland .... President, Clayton Metals Inc.
David Sapunjis .... President, Continental Alloys & Services, Inc.
Kristofer M. Farris .... President, Crest Steel Corporation
Eric J. Offenberger .... President, Delta Steel, Inc.
David L. Simpson .... President, Diamond Manufacturing Company
Frank Koons .... President, Durrett Sheppard Steel Co., Inc.
James Desmond .... President, Earle M. Jorgensen Company
Carlos Rodriguez-Borjas .... President, Feralloy Corporation
Mark A. Haight .... President, Infra-Metals Co.
Michael P. Shanley .... President, Liebovich Bros., Inc.
Robert C. McPherson III .... President and Chief Executive Officer, Metals USA, Inc.
Bruce Maggs .... Managing Director, Metalweb Limited
Mark Russ .... President, National Specialty Alloys, LLC
John S. Nosler .... President, Pacific Metal Company
Derek A. Halecky .... President, PDM Steel Service Centers, Inc.
Stephen E. Almond .... President, Phoenix Corporation
John D. Murray .... President, Precision Flamecutting and Steel, Inc.
Joseph P. Wolf .... President, Precision Strip, Inc.
Douglas Nesbitt .... President, Service Steel Aerospace Corp.
Paul J. Loftin .... President, Siskin Steel & Supply Company, Inc.
Robert J. Sugar .... President, Sugar Steel Corporation
Michael Kowalski .... President, Sunbelt Steel Texas, LLC
Daniel T. Yunetz .... President, Toma Metals, Inc.
Daniel A. Mangan .... President, Valex Corp.
Michael E. Allen .... President, Viking Materials, Inc.
Matthew L. Smith .... President, Yarde Metals, Inc.

APPENDIX II

BOARD OF DIRECTORS 2014

David H. Hannah
Chairman of the Board & Chief Executive Officer
Reliance Steel & Aluminum Co.

Sarah J. ("Sally") Anderson
Former Partner
Ernst & Young LLP

John G. Figueroa
Chairman
Apria Healthcare Group Inc.

Thomas W. Gimbel
Former Trustee
The Florence Neilan Trust

Douglas M. Hayes
President
Hayes Capital Corporation

Mark V. Kaminski
Former Chief Executive Officer
Commonwealth Industries, Inc.

Gregg J. Mollins
President & Chief Operating Officer
Reliance Steel & Aluminum Co.

Andrew G. Sharkey
Former President & Chief Executive Officer
American Iron and Steel Institute

Leslie A. Waite
Partner
Lombardia Capital Partners, LLC

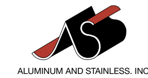
APPENDIX III

THE RELIANCE FAMILY OF COMPANIES

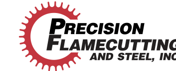
DIVISIONS

Company	Logo
Affiliated Metals	
Bralco Metals	
Central Plains Steel Co.	
MetalCenter	
Olympic Metals	
Reliance Metalcenter	
Reliance Steel Company	
Tube Service Co.	

SUBSIDIARIES

Company	Logo
Allegheny Steel Distributors, Inc.	
Aluminum and Stainless, Inc.	
American Metals Corporation	
AMI Metals, Inc.	
CCC Steel, Inc.	
Chapel Steel Corp.	
Chatham Steel Corporation	
Clayton Metals, Inc.	
Continental Alloys & Services, Inc.	
Crest Steel Corporation	

Delta Steel, Inc.	
Diamond Manufacturing Company	
Durrett Sheppard Steel Co., Inc.	
Earle M. Jorgensen Company	
Feralloy Corporation	
Infra-Metals Co.	
Liebovich Bros., Inc.	
Metals USA, Inc.	
Metalweb Limited	
National Specialty Alloys, Inc.	
Pacific Metal Company	
PDM Steel Service Centers, Inc.	

Phoenix Metals Company	
Precision Flamecutting and Steel, Inc.	
Precision Strip Inc.	
Reliance Metals Canada Limited	
Service Steel Aerospace Corp.	
Siskin Steel & Supply Company, Inc.	
Sugar Steel Corporation	
Sunbelt Steel Texas, Inc.	
Toma Metals, Inc.	
Valex Corp.	
Viking Materials, Inc.	
Yarde Metals, Inc.	

ACKNOWLEDGEMENTS

This history represents the combined efforts of a number of people who, despite many other obligations, invested the time, energy, and patience necessary to help tell and preserve the Reliance story. Bob Balez, Joe Crider, Dave Hannah, Doug Hayes, Bob Henigson, Jim Hoffman, Mike Hubbart, Mark Kaminski, Steve Koch, Karla Lewis, Jim MacBeth, Neil McCaffery, Gregg Mollins, Bill Rumer, Kay Rustand, Bill Sales, Yvette Schiotis, Andrew Sharkey, Carolyn Sievers, and Les Waite shared recollections and insights gained over their many years of experience with Reliance. Jean Do and Brenda Miyamoto served as project points of contact and answered numerous reference questions with patience and perseverance from beginning to end. Tom Gimbel generously contributed a large collection of his father's personal papers and historic photographs, which proved to be invaluable in reconstructing the Reliance story. At History Associates Incorporated, James P. Rife researched the story and drafted the manuscript. Kim Silvi provided an early draft of chapter four, and Sara Seltzer and Gabriele Carey performed supplemental research in California. Vanessa Lide painstakingly proofed the copy. Kenneth Durr provided valuable management support, editing, and guidance during the project.

Research and Writing

James P. Rife, History Associates Incorporated, Rockville, MD

Design

River Rock Creative, Bethesda, MD

Printing

McArdle Solutions, Upper Marlboro, MD

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