Schuff International, Inc.
1841 W. Buchanan
Phoenix, AZ 85007

September 5, 2014

Dear Stockholder:

This letter (this "Statement") is being sent to you in your capacity as a stockholder (a "Stockholder," and more than one, "Stockholders") of Schuff International, Inc., a Delaware corporation (which is referred to herein as the "Company," "we", "our" or "us"), in connection with the unsolicited cash tender offer (the "Tender Offer") initiated by HC2 Holdings, Inc. ("HC2"), the 70% Stockholder of the Company, to purchase all of the issued and outstanding shares of common stock of the Company, par value $0.001 per share (collectively, the "Shares," and each, a "Share"), that HC2 does not currently own at a purchase price of $31.50 per Share, net in cash, without interest (the "Offer Price").

The Company understands that the Tender Offer commenced on August 21, 2014 and that it is being made upon the terms and subject to the conditions set forth in the Tender Offer materials that you have either received or should be receiving from HC2.

With respect to all information described herein as contained in the Tender Offer materials prepared and delivered by HC2, the Form 10-Q filed by HC2 with the Securities and Exchange Commission for the period ended June 30, 2014 (the "HC2 Form 10-Q"), or the Form 8-K/A filed by HC2 with the Securities and Exchange Commission on August 14, 2014 (the "HC2 Form 8-K/A"), including information concerning HC2, the Company or the Company's affiliates, officers or directors, or actions or events with respect to any of them, the Company does not take any responsibility for the accuracy or completeness of such information or for any failure by HC2 to disclose events or circumstances that may have occurred and may affect the significance, completeness or accuracy of any such information.

This Statement is being sent to the Stockholders pursuant to Rule 14e-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which requires the Company to inform the Stockholders of its position, if any, with respect to the Tender Offer no later than 10 business days from the date the Tender Offer is first published, sent or given.

As discussed below, after careful consideration of the Tender Offer, the special committee of independent members of the Board of Directors of the Company (the "Committee") determined to express no opinion and remain neutral regarding the Tender Offer made by HC2.

Each Stockholder should make an independent determination as to whether or not to tender Shares in the Tender Offer. No Stockholder is obligated to tender Shares in the Tender Offer.

Background of the Tender Offer.

On May 12, 2014, HC2 purchased 2,500,000 Shares from SAS Venture LLC, an entity wholly owned by Scott A. Schuff, then our President and Chief Executive Officer and a member of our Board of Directors (the "Board"), and a co-founder (with David A. Schuff, Scott A. Schuff's father) of the Company, for an aggregate purchase price of $78,750,000, or $31.50 per Share. Following the consummation of such purchase, Scott A. Schuff resigned as an officer and director of the Company and the Company and Scott A. Schuff entered into a Consulting Agreement, dated June 2, 2014, pursuant to which Scott A. Schuff agreed to provide consulting services as requested by the Board for three years in consideration of aggregate consulting fees of $2,500,000.

Upon the consummation of the purchase of 2,500,000 Shares from SAS Venture LLC, HC2 held 60% of the issued and outstanding Shares. HC2 purchased an additional 198,411 Shares in June 2014.

On June 17, 2014, the Company repurchased 253,039 Shares from Saied (Sam) Mahdavi, former President of Quincy Joist Company, a wholly owned operating subsidiary of the Company until 2013. The purchase price paid to Mr. Mahdavi for his Shares was approximately $28.25 per Share (which was the closing price for trades on the OTC Pink market on June 16, 2014). Information on trading in the Shares is available at www.otcmarkets.com/stock/SHFK/chart.

On June 27, 2014, the Company repurchased 45,325 Shares from Ryan Schuff, Scott A. Schuff's son, a former member of our Board and the former President and Chief Executive Officer of Schuff Steel Company, a wholly owned subsidiary of the Company. Ryan Schuff resigned as a member of our Board and as the President and Chief Executive Officer of Schuff Steel Company on June 4, 2014. The purchase price paid to Ryan Schuff for his Shares was $26.50 per Share.

Thereafter, on June 30, 2014, the Company repurchased an additional 26,300 Shares from SAS Revocable Trust U/T/A dated March 4, 2004 as amended on June 30, 2014, a trust controlled by Scott A. Schuff, for a purchase price of $26.50 per Share, and 3,000 Shares from Davnan Investment L.L.C., an entity controlled by David A. Schuff, Scott A. Schuff's father, the current Chairman Emeritus of the Board, the former Chairman of the Board and a co-founder of the Company (with Scott A. Schuff), at a purchase of $26.50 per Share.

After the consummation of HC2's purchases and the Company's repurchases of Shares, in each case as described above, HC2 owned 70% of the issued and outstanding Shares.

On August 11, 2014, the Company received an email attaching draft Tender Offer materials from Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul Weiss"), counsel to HC2, which notified the Company of HC2's intention to commence a tender offer to purchase the issued and outstanding Shares not owned by HC2.

Three members of the Board – Philip A. Falcone, Keith M. Hladek and Paul Voigt – are affiliated with HC2 and therefore have an interest in the Tender Offer that is different than that of our remaining Stockholders. Two members of the Board, consisting of Michael R. Hill, Vice President and Chief Financial Officer of the Company, and James Rustin Roach, President and Chief Executive of the Company, are members of the Company's management. Because HC2 owns 70% of the issued and outstanding Shares and may therefore effect the election of all of the members of the Board, which may appoint and remove management, Mr. Roach and Mr. Hill may have an interest in the Tender Offer that is different from that of certain of our Stockholders. The remaining two members of the Board, consisting of D. Ronald Yagoda and Phillip O. Elbert, are not affiliated with HC2 or management of the Company.

On August 15, 2014, the Board held a special meeting and determined to form the Committee, consisting of directors D. Ronald Yagoda and Phillip O. Elbert. The Committee was expressly delegated the exclusive power and authority of the Board to, among other things, review, investigate, consider, evaluate, negotiate and take a position with respect to the Tender Offer and/or alternatives thereto.

Mr. Yagoda has 46 years of experience as an investment executive and professional portfolio manager. Mr. Yagoda has managed mutual funds, as well as major corporate pension funds. Mr. Yagoda previously served as the Executive Vice President and Director of a NYSE member firm, where he headed merger and acquisition investments. Mr. Yagoda has been involved with the Company since 1996, initially as a financial consultant, and since 2012, as a director.

Mr. Elbert, an engineer, has 45 years of experience as an executive in the steel construction industry. During 35 of these 45 years, Mr. Elbert was either the Chief Executive Officer or Chairman of companies in the steel construction industry. Mr. Elbert is a founding board member of the National Steel Erectors Association, is a former Chairman of the American Institute of Steel Construction, and recently served as the Chairman of the board of directors of Pitt-Des Moines, Inc., a large fabricator of steel buildings and bridges. Mr. Elbert has been a director of the Company since 2012.

At the Committee's first special meeting held on August 18, 2014, and pursuant to the power and authority delegated to the Committee by the Board, the Committee retained Greenberg Traurig, LLP ("Greenberg Traurig") as its outside legal counsel. At this meeting, the Committee and Greenberg Traurig discussed the draft Tender Offer materials provided to the Company by Paul Weiss and the Committee's legal responsibilities with respect to the Tender Offer. On August 19, 2014 the Committee sent a letter to HC2 suggesting revisions to the draft Tender Offer materials (the "Letter").

On August 20, 2014, Greenberg Traurig and Paul Weiss discussed the Committee's suggested revisions to the draft Tender Offer Materials and HC2's responses thereto. After such discussion, the Committee held a second special meeting to consider HC2's responses to the Letter as communicated by Paul Weiss to Greenberg Traurig. After discussion with Greenberg Traurig, the Committee directed Greenberg Traurig to communicate to Paul Weiss that the Committee continued to request that HC2's Tender Offer materials be revised as indicated in the Letter.

On August 21, 2014, HC2 launched the Tender Offer. The Tender Offer materials reflected all of the suggested revisions made by the Committee in the Letter.

On August 25, 2014, the Committee held a third special meeting, and was advised by Greenberg Traurig as to the Committee's legal responsibilities with respect to the Tender Offer, including the Company's obligation under Rule 14e-2 of the Exchange Act to publish, send or give the position of the Company with regard to the Tender Offer no later than 10 business days from the date the Tender Offer is first published, sent or given. The Committee requested that management provide certain financial information regarding the Company to enable the Committee to consider and evaluate the Tender Offer. In furtherance of this request, the Committee was provided the Company's audited financials for 2004 through 2013, all of which audited financials are available on the Company's website (www.schuff.com/schuff-international/investors/selected-financials/). The Company's audited financials for the years ended December 29, 2013, December 30, 2012 and January 1, 2012 also are attached to this Statement as Exhibit A (collectively the "Audited Financials"). The Committee further reviewed the HC2 Form 10-Q (which, among other things, consolidates certain financial information regarding the Company for June 30, 2014) and the HC2 Form 8-K/A (which attaches, among other financial information regarding the Company, unaudited financial information of the Company for the period ended March 30, 2014), both of which are available at www.sec.gov. Finally, the Committee reviewed the Company's consolidated income statements for the years 2004 to 2013, which are attached to this Statement as Exhibit B (the "Company Materials").

After review of the Audited Financials, the Company Materials, the HC2 Form 10-Q and the HC2 Form 8-K/A, the Committee held a fourth special meeting on August 29, 2014 to discuss the Tender Offer and the Committee's position with respect to the Tender Offer.

On September 3, 2014, the Committee held a fifth special meeting at which it discussed its proposed letter to Stockholders setting forth the Committee's position with respect to the Tender Offer.

Finally, on September 4, 2014, the Committee held a sixth special meeting. After discussion, the Committee authorized Greenberg Traurig and the Company's officers to effect the publication and mailing of a final letter to Stockholders setting forth the Committee's determination to express no opinion and remain neutral regarding HC2's Tender Offer.

The Material Factors Considered by the Committee.

In evaluating the Tender Offer and determining to express no opinion and remain neutral regarding the Tender Offer made by HC2, the Committee considered the following material factors:

- the terms and conditions of the Tender Offer, including the non-waivable majority of the minority condition and HC2's commitment to effect a short-form merger of the Company with a subsidiary of HC2, with the surviving company being a wholly owned subsidiary of HC2 (the "Merger"), at the Offer Price;

• its discussions with Greenberg Traurig;

• its knowledge of the Company's historical financial performance, portfolio of assets and future business and growth opportunities;

• the Audited Financials and the Company Materials;

• a number of other factors that it deemed relevant in light of its knowledge of the Company's business, financial condition, portfolio of assets and future business and growth opportunities;

• the fact that the Offer Price is equivalent to the price per Share received by Scott A. Schuff, then our President and Chief Executive Officer, a member of our Board and our controlling Stockholder and a co-founder (with David A. Schuff, Scott A. Schuff's father) of the Company; and

• that the Tender Offer gives Stockholders other than HC2 the opportunity to sell their Shares for cash.

Reasons for the Neutral Position.

While no one factor is dispositive, the Committee believes that the following factors, when considered as a whole, render the Committee unable to make a recommendation to "accept" or "reject" the Tender Offer, and support the Committee's "neutral" position with respect to the Tender Offer:

1. The Company's business is cyclical and subject to volatility. The Company's primary business is steel fabrication and erection. The Company is one of the largest fabricators and erectors of steel in the United States. The steel fabrication and erection projects of the Company primarily are obtained through independent bidding processes. In making its bids, the Company has no certainty of receiving a project, and if a project is accepted, has no assurances that the bid will result in net income to the Company (although this is the goal in making the bid). The Company's business is therefore cyclical and subject to volatility, and the forecasting of revenues is more difficult as compared to, for example, manufacturing businesses.

This difficulty is evidenced by the fact that, as reflected in the Company Materials (attached to this Statement as Exhibit B), the Company's net revenues have ranged from a low of $264,398,366 in 2004 to a high of $736,193,634 in 2007. Similarly, the Company's total operating expenses have ranged from a low of $27,046,369 in 2004 to a high of $64,767,347 in 2008 and net income/loss has ranged from a high of $59,873,708 in 2007 to a low (loss) of ($5,032,106) in 2011. Likewise, the Company's "EBITDA" (earnings before interest, taxes, depreciation and amortization) has ranged from a high of $102,329,438 in 2007 to a low of $10,672,100 in 2010. Accordingly, the Committee determined that management's forecasts and cash flow projections were unreliable and therefore did not rely upon them in evaluating the Tender Offer.

The foregoing factors, as well as other risk factors relating to the Company's business, are discussed in the HC2 Form 10-Q, which is available at www.sec.gov. In addition, although the Committee did not rely upon them in evaluating the Tender Offer, the Company's condensed consolidated interim financial statements, which comprise the condensed consolidated balance sheet as of March 30, 2014, and the related condensed consolidated statements of income, stockholders' equity, and cash flows for the three-month periods ended March 30, 2014 and March 31, 2013, and the related notes to interim financial statements, are attached to the HC2 Form 8-K/A, which is available at www.sec.gov.

2. Trading in the Shares has been limited. Although the Shares are listed for trading on the OTC Pink market, there has not been active trading in the Shares for several years.

The Company filed a Form 15, dated November 16, 2004, under the Exchange Act. The filing of the Form 15 immediately suspended the Company's obligations to file certain reports with the Securities and Exchange Commission. The Company has not made filings with the Securities and Exchange Commission since January 13, 2005, such that there is limited information about the Company available to the public.

On January 5, 2005, the Company received an order from the Securities and Exchange Commission granting its application pursuant to Section 12(d) of the Exchange Act and Rule 12d2-2(d) thereunder, to withdraw the Shares from listing and registration on the American Stock Exchange.

Because more than a majority of the issued and outstanding Shares have been held by the Schuff family and other insiders since the Company's initial public offering in 1997, and by HC2 since May 12, 2014, a limited number of Shares held by minority Stockholders have been available for sale in the public market. Accordingly, the Shares have historically been thinly traded and the Stockholders have had limited opportunities to liquidate their Shares.

Trades in the Shares over the last 52 weeks ended August 29, 2014 ranged from a high of $33.00 per Share to a low of $14.00 per Share. Trades in the Shares over the 52 weeks ended August 21, 2014 (the date HC2 commenced the Tender Offer) ranged from a high of $32.00 per Share to a low of $13.30 per Share. Trades in the Shares over the 52 weeks ended May 12, 2014 (the date HC2 purchased 2,500,000 Shares from SAS Venture LLC) ranged from a high of $28.50 per Share to a low of $11.50 per Share. Information on current and historic trading in the Shares is available at www.otcmarkets.com/stock/SHFK/chart.

While the Company has repurchased Shares previously, there is no assurance that it will repurchase Shares in the future or that it will repurchase Shares at a per Share price in excess of the Offer Price. The Stockholders therefore may not rely on the Company to provide liquidity for their Shares.

While a sale of the Company may benefit you and provide you with liquidity for your Shares, as our controlling stockholder, HC2 has no obligation to effect a sale of the Company or approve any sale of the Company recommended by the Board. In that regard, you should be aware that the Company has not received any written expressions of interest with respect to a sale of the Company in over two years and HC2 has not expressed any interest in selling its Shares or the Company. The Stockholders therefore may not rely on a sale of the Company to provide liquidity for their Shares.

The Committee recognizes that the Tender Offer provides liquidity to the Stockholders (other than HC2) that may not otherwise be available.

You should be aware that if the Tender Offer is consummated, but the Merger is not, there will be fewer Shares available for sale and your ability to liquidate your Shares may be more restricted.

3. <u>Our co-founder and former controlling Stockholder sold Shares to HC2 at a price of $31.50 per Share</u>. As described above, on May 12, 2014 SAS Venture LLC, owned in its entirety by Scott A. Schuff, sold all of its Shares to HC2 at a price of $31.50 per Share, which is the same price as the Offer Price. At the time of such sale, Scott A. Schuff, our co-founder (with David A. Schuff, Scott A. Schuff's father), was our President and Chief Executive Officer and a member of our Board. Scott A. Schuff has since resigned as an officer and director of the Company.

At the time of such sale, SAS Venture LLC owned 60% of the issued and outstanding shares and was the Company's controlling stockholder. Because it is generally understood that a controlling stockholder can, and will, sell its controlling position at premium (often referred to as a "control premium"), the Committee believes that the fact that the Offer Price is the same per Share price at which SAS Venture LLC sold its controlling interest in the Company may evidence the fairness of the Offer Price.

4. The Company recently repurchased Shares from minority Stockholders at less than the Offer Price. As described above, the Company repurchased 253,039 Shares from Saied (Sam) Mahdavi, a former officer of one of the Company's subsidiaries, on June 17, 2014 for approximately $28.25 per Share. In addition, as described above, the Company repurchased an aggregate of 74,624 Shares from persons or entities affiliated with the Schuff family for $26.50 per Share at the end of June 2014. All of the foregoing repurchases of Shares by the Company are below the Offer Price.

5. The Company has not performed a financial analysis or formal appraisal of the value of the Shares. The Company has not engaged an outside financial advisor or other third party to conduct a financial analysis or formal appraisal of the current value of the Shares, nor has the Company conducted an evaluation or appraisal of the value of the Company.

You should be aware that three members of our Board (Philip A. Falcone, Keith M. Hladek and Paul Voigt) are affiliated with HC2 and therefore have access to certain financial and other information about the Company that is not publicly available and that is not contained in the Audited Financials or the Company Materials.

6. There are few, if any, public companies that can be compared against the Company. Most, if not all, of the Company's competitors are privately held companies or subsidiaries of public companies, making comparisons difficult. Accordingly, the Committee did not undertake a comparable companies analysis in evaluating the Tender Offer.

7. The Company has not negotiated the Offer Price. The Company has not undertaken and not engaged in negotiations with HC2 as to the Offer Price. Further, the Company has not undertaken and not engaged in negotiations with HC2 or any other person regarding a sale of the Company or any other extraordinary transaction with respect to the Company.

You should be aware that as the owner of 70% of the issued and outstanding Shares, HC2 may veto any sale of the Company or any other extraordinary transaction with respect to the Company. As the Delaware Supreme Court acknowledged in *Thorpe v. CERBCO, Inc.*, controlling stockholders "would have no obligation to support any transaction they did not personally favor."

8. The Company has not evaluated HC2's ability to finance the Tender Offer. HC2's Tender Offer materials provide that the consummation of the Tender Offer is conditioned upon HC2's ability to finance the purchase of the Shares pursuant to the Tender Offer, which HC2 refers to as the "Financing Condition" in the Tender Offer materials. The Committee has not undertaken an evaluation of HC2's ability to obtain financing sufficient to consummate the Tender Offer and the Merger.

9. If you do not tender your Shares in the Tender Offer and the Merger is consummated, you may be entitled to exercise appraisal rights. HC2's Tender Offer materials provide that if the Tender Offer is consummated and HC2 owns 90% of the issued and outstanding Shares, HC2 will effect the Merger at the Offer Price. In lieu of receiving the Offer Price, former Stockholders (other than HC2) as of immediately prior to the effective time of the Merger who did not tender their Shares in the Tender Offer will be entitled to demand an appraisal of the fair value of their Shares in accordance with Section 262 of the General Corporation Law of the State of Delaware ("Section 262"). Such former Stockholders who properly perfect their appraisal rights in accordance with Section 262 and do not thereafter withdraw their demands for appraisal or otherwise lose their appraisal rights, in each case, in accordance with Section 262, will be entitled to have their Shares appraised by the Court of Chancery of the State of Delaware (the "Delaware Court").

In an appraisal proceeding, the Delaware Court will appraise the "fair value" of the Shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with interest to be paid in accordance with Section 262 and as the Delaware Court determines. Unless the Delaware Court, in its discretion, sets a different interest rate for good cause shown, interest on an appraisal award will accrue and compound quarterly from the effective date of the Merger through the date the judgment is paid at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the Merger and the date of payment of the judgment.

In determining "fair value," the Delaware Court is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered and that "[f]air price obviously requires consideration of all relevant factors involving the value of a company." Stockholders should recognize that appraisal under Section 262 can result in a determination of value higher or lower than, or equivalent to, the Offer Price HC2 has committed to pay in the Merger.

10. The decision to tender is a personal decision of each Stockholder; No Stockholder is obligated to tender. Each Stockholder should make an independent determination as to whether or not to tender Shares in the Tender Offer. No Stockholder is obligated to tender Shares in the Tender Offer. A Stockholder's decision to accept or reject the Tender Offer is a personal decision and should be based on each Stockholder's particular facts and circumstances, including, but not limited to, the Stockholder's financial position. Each Stockholder should evaluate the potential pros and cons of choosing to accept the Tender Offer and tendering Shares in the Tender Offer for $31.50 per Share, compared to choosing to reject the Tender Offer and retaining Shares.

To further each Stockholder's own independent determination whether to tender or not tender Shares in the Tender Offer, the Audited Financials and the Company Materials are attached hereto as Exhibit A and B, respectively. The Committee urges each Stockholder to review the Audited Financials attached to this Statement as Exhibit A (also available on the Company's website (www.schuff.com/schuff-international/investors/selected-financials/) and the Company Materials attached to this Statement as Exhibit B. Our audited financials for 2004 through 2013 are available on the Company's website (www.schuff.com/schuff-international/investors/selected-financials/). In addition, the HC2 Form 10-Q (containing certain unaudited results of our operations and other information regarding the Company) and the HC2 Form 8-K/A (containing certain of our audited financials as well as certain of our unaudited financials), are available at www.sec.gov.

11. Certain of the Company's directors and officers intend to participate in the Tender Offer. The Committee has been advised that certain directors and officers of the Company who are also Stockholders intend to tender their Shares pursuant to the Tender Offer. The present intention of the members of the Committee also is to tender their Shares in the Tender Offer.

12. Sententia Group, L.P. has determined not to tender its Shares in the Tender Offer. Sententia Group, L.P. ("Sententia"), the beneficial owner of 1,700 Shares as of August 25, 2014, announced that it will not tender its Shares in the Tender Offer. Sententia had, in June 2014, issued a "buy" recommendation for the Shares. More recently, Sententia announced that it does not intend to tender in the Tender Offer and believes that the Offer Price is "highly undervalued." Sententia's "buy" recommendation and announcement not to tender in the Tender Offer are available at http://gurufocus.com/news/264677/trading-near-bv-and-primed-for-growth-schuff-is-very-attractive.

For all the reasons described above, the Committee determined to express no opinion and remain neutral with respect to the Tender Offer.

* * *

You should make your own independent decision whether to tender or refrain from tendering your Shares pursuant to the Tender Offer. We strongly urge you to carefully consider all aspects of the Tender Offer in light of your own circumstances, including (i) your investment objectives, (ii) your financial circumstances, particularly but not limited to any need you may have for immediate or short-term liquidity from your Shares, recognizing there are risks that future events could undermine the performance of the Shares, (iii) the fact that any Shares not tendered may be subject to limited market interest, due to HC2's material ownership of the Company, (iv) other financial opportunities available to you, (v) your own tax position and tax consequences, and (vi) other factors you determine are relevant to your decision.

You should carefully review all of the Tender Offer materials sent to you by HC2, as well as the Audited Financials, the Company Materials, the HC2 Form 10-Q, the HC2 Form 8-K/A, the information available on our website (www.schuff.com/schuff-international/investors/company-profile/) and other publicly available documents, and consult with your own financial, tax and other advisors in evaluating the Tender Offer before deciding whether to tender your Shares. PLEASE CONSULT WITH YOUR OWN ADVISORS ABOUT THE IMPACT OF TENDERING OR NOT TENDERING YOUR SHARES PURSUANT TO THE TENDER OFFER ON YOUR OWN PARTICULAR SITUATION.

If you wish to "accept" the Tender Offer, you should follow the instructions in the Tender Offer materials provided by HC2. If you wish to "reject" the Tender Offer, simply ignore it; you do not need to respond to anything. Please note, however, that if you do not accept the Tender Offer and the Merger is consummated (as discussed in the Tender Offer materials), then your Shares will be converted into the right to receive the Offer Price unless you perfect your appraisal rights under Delaware law. Please see the Tender Offer materials for more information on what may occur if you decide to not tender your Shares and/or ignore the Tender Offer. If you have already agreed to tender your Shares pursuant to the Tender Offer, you may withdraw your acceptance of the Tender Offer by notifying HC2 at any time prior to the expiration of the Tender Offer.

Sincerely,

/s/ D. Ronald Yagoda

D. Ronald Yagoda and

/s/ Phillip O. Elbert

Phillip O. Elbert,

The Members of the Special Committee of the Board of Directors of Schuff International, Inc.

Cautionary Note Regarding Forward-Looking Statements.

Certain statements contained in this Statement other than historical facts may be considered forward-looking statements. These forward-looking statements are predictions and generally can be identified by use of statements that include phrases such as "believe," "expect," "anticipate," "estimate," "intend," "plan," "foresee," "looking ahead," "is confident," "should," "will," "predicted," "likely" or other words or phrases of similar import. Similarly, statements that describe or contain information related to matters such as the Company's intent, belief or expectation with respect to its financial performance, investment strategy and portfolio, cash flows, growth prospects, and the current and future value of its common stock are forward-looking statements. These forward-looking statements often reflect a number of assumptions and involve known and unknown risks, uncertainties and other factors that could cause the Company's actual results and the value of its common stock to differ materially from those currently anticipated in these forward-looking statements. The forward-looking statements contained in this document are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. In light of these risks and uncertainties, the forward-looking events might or might not occur, which may affect the accuracy of forward-looking statements and cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Stockholders are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by law, the Company does not undertake any obligation to update or revise any forward-looking statements contained herein.

Exhibit A

Audited Financials

[Attached]

SCHUFF INTERNATIONAL, INC.
AND SUBSIDIARIES

ANNUAL REPORT

FOR THE YEAR ENDED JANUARY 1, 2012

Report of Independent Certified Public Accountants

Board of Directors and Stockholders
Schuff International, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Schuff International, Inc. and Subsidiaries as of January 1, 2012 and January 2, 2011, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Schuff International, Inc. and Subsidiaries as of January 1, 2012 and January 2, 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON

LLP Phoenix, Arizona
March 13, 2012

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	January 1 2012	January 2 2011
	(in thousands, except for share data)	
Assets		
Current assets		
Cash and cash equivalents	$ 7,634	$ 48,003
Receivables (Notes 2 and 14)	105,008	92,617
Income tax receivable (Note 8)	-	1,295
Costs and recognized earnings in excess of billings on uncompleted contracts (Note 2)	28,369	7,869
Inventories (Note 3)	20,771	18,827
Deferred tax asset (Note 8)	3,279	1,910
Prepaid expenses and other current assets	1,477	1,613
Total current assets	166,538	172,134
Property, plant and equipment, net (Note 4)	75,411	74,042
Goodwill	10,054	17,115
Other assets	6,018	3,687
	$ 258,021	$ 266,978
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable (Note 5)	$ 57,307	$ 23,757
Accrued payroll and employee benefits	12,317	6,406
Accrued interest	73	55
Other current liabilities (Note 6)	4,283	5,587
Billings in excess of costs and recognized earnings on uncompleted contracts (Note 2)	24,549	48,288
Income tax payable (Note 8)	3,357	-
Current portion of long-term debt (Note 7)	26,413	2,025
Total current liabilities	128,299	86,118
Long-term debt (Note 7)	29,410	5,623
Deferred tax liability (Note 8)	7,143	7,001
Other liabilities	170	199
	36,723	12,823
Commitments and Contingencies (Notes 7, 9, 11, 12 and 13)		
Schuff International stockholders' equity (Note 10)		
Preferred stock, $.001 par value – authorized 1,000,000 shares, none issued	-	-
Common stock, $.001 par value – 20,000,000 shares authorized, 10,038,707 and 10,038,057 shares issued, and 4,146,589 and 9,756,605 shares outstanding in 2011 and 2010, respectively	10	10
Additional paid-in capital	49,249	49,199
Retained earnings	117,187	122,219
Treasury stock - 5,892,118 and 281,452 shares, in 2011 and 2010, respectively, at cost	(77,706)	(3,391)
Total Schuff International stockholders' equity	88,740	168,037
Non-controlling interest	4,259	-
Total stockholders' equity	92,999	168,037
	$ 258,021	$ 266,978

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended	
	January 1 2012	January 2 2011
	(in thousands, except per share data)	
Revenues (Note 14)	$ 392,161	$ 287,566
Cost of revenues	349,143	246,037
Gross profit	43,018	41,529
General and administrative expenses (Note 11)	38,369	37,582
Goodwill impairment	7,061	-
Operating (loss) income	(2,412)	3,947
Interest expense	(1,141)	(1,428)
Other income	352	131
(Loss) income before income tax provision	(3,201)	2,650
Income tax provision (Note 8)	(1,788)	(1,370)
(Loss) income before non-controlling interest	(4,989)	1,280
Non-controlling interest	(43)	-
Net (loss) income	$ (5,032)	$ 1,280
Income per common share: (Note 10)		
Basic	$ (0.52)	$ 0.13
Diluted	$ (0.52)	$ 0.13
Weighted average shares used in computation: (Note 10)		
Basic	9,688	9,689
Diluted	9,688	9,732

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Non-controlling Interest	Total
				(in thousands)			
Balance at January 4, 2010	9,655 $	10 $	49,205 $	120,939 $	(4,470)$	- $	165,684
Net income	-	-	-	1,280	-	-	1,280
Issuance of common stock	-	-	9	-	-	-	9
Tax effect of stock-based compensation	-	-	18	-	-	-	18
Purchase of treasury stock	(22)	-	-	-	(618)	-	(618)
Issuance of treasury stock-restricted stock grant	123	-	(1,697)	-	1,697	-	-
Compensation expense-restricted stock grant	-	-	1,664	-	-	-	1,664
Balance at January 2, 2011	9,756	10	49,199	122,219	(3,391)	-	168,037
Net loss	-	-	-	(5,032)	-	-	(5,032)
Issuance of common stock	1	-	8	-	-	-	8
Non-controlling interest	-	-	-	-	-	4,216	4,216
Non-controlling interest income	-	-	-	-	-	43	43
Tax effect of stock-based compensation	-	-	(138)	-	-	-	(138)
Purchase of treasury stock	(5,652)	-	-	-	(74,820)	-	(74,820)
Issuance of treasury stock-restricted stock grant	42	-	(505)	-	505	-	-
Compensation expense-restricted stock grant	-	-	685	-	-	-	685
Balance at January 1, 2012	4,147 $	10 $	49,249 $	117,187 $	(77,706)$	4,259 $	92,999

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	
	January 1 2012	January 2 2011
Operating Activities	(in thousands)	
Net (loss) income	$ (5,032)	$ 1,280
Adjustments to reconcile net (loss) income to net cash (used in)/provided by operating activities:		
Net decrease in allowance for doubtful accounts	(139)	(637)
Depreciation and amortization	8,583	8,169
Loss from extinguishment of debt	233	48
Goodwill impairment	7,061	-
(Gain)/loss on disposals of property, plant and equipment	(11)	15
Deferred income taxes	(1,227)	2,640
Non-controlling interest income	43	-
Excess tax benefit of restricted stock awards	138	18
Stock awards	8	9
Compensation expense - restricted stock grant	685	1,664
Changes in working capital components:		
Receivables	(12,364)	1,259
Costs and recognized earnings in excess of billings on uncompleted contracts	(20,500)	97
Inventories	(955)	(2,912)
Prepaid expenses and other current assets	252	(350)
Accounts payable	33,550	5,034
Accrued payroll and employee benefits	5,699	(1,759)
Accrued interest	18	(29)
Other current liabilities	(264)	(1,236)
Billings in excess of costs and recognized earnings on uncompleted contracts	(23,739)	4,717
Income taxes payable/receivable	4,515	259
Other liabilities	(29)	(75)
Net cash (used in)/provided by operating activities	(3,475)	18,211
Investing activities		
Acquisitions of property, plant and equipment	(3,395)	(10,664)
Investment in joint venture	(4,050)	-
Proceeds from disposals of property, plant and equipment	31	63
Increase in other assets	(94)	(153)
Net cash used in investing activities	(7,508)	(10,754)
Financing activities		
Proceeds from revolving line of credit and long-term borrowings	68	-
Principal payments on revolving line of credit and long-term debt	(8,848)	(6,315)
Proceeds from exercise of stock options and stock purchase plan	1	-
Payment of debt issuance costs	(2,603)	(139)
Purchase of treasury stock	(17,866)	(618)
Excess tax benefit of restricted stock awards	(138)	-
Net cash used in financing activities	(29,386)	(7,072)
(Decrease)/increase in cash and cash equivalents	(40,369)	385
Cash and cash equivalents at beginning of year	48,003	47,618
Cash and cash equivalents at end of year	$ 7,634	$ 48,003
Supplemental schedule of non-cash investing and financing activities:		
Contribution of net assets from non-controlling interest	$ 4,216	$ -
Acquisition of treasury stock and assumption of debt	$ 56,954	$ -

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
January 1, 2012 and January 2, 2011

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Schuff International, Inc. and its wholly-owned subsidiaries ("Schuff" or the "Company") are primarily steel fabrication and erection contractors with headquarters in Phoenix, Arizona and operations in Arizona, Florida, Georgia, Texas, Kansas, California and the New York City area. The Company's construction projects are primarily in the aforementioned states and location, except for Kansas and the New York City area. Its wholly-owned subsidiaries are Schuff Steel Company, Schuff Steel – Atlantic, L.L.C., Quincy Joist Company, Schuff Steel – Gulf Coast, Inc., On-Time Steel Management Holding, Inc., Schuff Steel Management Company – Southwest, Inc., Schuff Steel Company – Panama, S de RL, Schuff Steel Management Company – Colorado, L.L.C. (dormant) and Schuff Steel Management Company – Southeast, L.L.C. (dormant).

On July 1, 2011, the Company formed Schuff Hopsa Engineering, Inc.("SHE"), a Panamanian joint venture providing steel fabrication services, with Empresas Hopsa, S.A. The Company has a 49% interest in SHE but controls the operations of SHE, as provided in the operating agreement. Therefore, the assets, liabilities, revenues and expenses of SHE are included in the consolidated financial statements of the Company. Empresas Hopsa, S.A.'s 51% interest in SHE is presented as a non-controlling interest component of total equity.

Stock Repurchase

On December 29, 2011, the Company repurchased approximately 5,600,000 shares of its common stock from its majority shareholders, Plainfield Asset Management, L.L.C. ("Plainfield") and D.E. Shaw Laminar Portfolios, LLC ("Shaw"), at a negotiated price of $13.25 per share. The Company used proceeds from a term loan and unsecured note, along with borrowings under its Credit Facility and excess cash to fund the purchase of the shares. As a result of the transaction, Plainfield and Shaw no longer hold any shares of common stock of the Company. The repurchased shares are recorded at cost and presented as treasury stock in the accompanying Statement of Stockholders' Equity.

Fiscal Year

The Company uses a 4-4-5 week quarterly cycle ending on the Sunday closest to December 31. Fiscal 2011 covered the period from January 3, 2011 to January 1, 2012 (hereinafter 2011). Fiscal 2010 covered the period from January 4, 2010 to January 2, 2011 (hereinafter 2010).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Schuff International, Inc. and all wholly-owned subsidiaries. The consolidated financial statements also include the assets, liabilities, revenues and expenses of its controlled subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

In accordance with accounting principles generally accepted in the United States, references in this report to the Company's (loss) earnings per share, net (loss) income and stockholders' equity attributable to its common shareholders do not include amounts attributable to non-controlling interests.

Operating Cycle

Balance sheet items expected to be paid or received within one year are classified as current. Assets and liabilities relating to long-term construction contracts are included in current assets and current liabilities in the accompanying consolidated balance sheets, since they will be realized or liquidated in the normal course of contract completion, although completion may require more than one year.

Cash and cash equivalents

Cash consists of cash in interest bearing checking accounts. The Company considers all highly liquid investments purchased with original maturities of three months or less from the date of purchase to be cash equivalents.

Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a specific reserve for questionable accounts and a general reserve. In accordance with industry practice, receivables include retainage, a portion of which may not be realized within one year. Management determines the allowance for doubtful accounts using historical experience and by evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Receivables are written off when deemed uncollectible and recoveries of amounts previously written off are recorded in income when received. The Company does not routinely charge interest on past due amounts unless it must pursue formal collection or legal actions.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and receivables. The Company maintains cash and cash equivalents and certain other financial instruments with a large financial institution. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. During the year, the Company maintained cash in financial institutions in excess of FDIC limits. At year end, there was $7,874,000 being held in banks, of which $7,422,000 was in excess of the FDIC limits. During the year, the Company maintained cash in financial institutions outside of the United States. At year end, there was $731,000 being held in banks outside of the United States, none of which is covered by the FDIC. Concentrations of credit risk with respect to receivables are limited as the Company's customers tend to be larger general contractors on adequately funded projects and the Company has certain lien rights.

Inventories

Inventories, primarily steel components, are stated at the lower of cost or market under the first-in, first- out method.

Long-Lived Assets with Definite Lives

The Company continually evaluates whether events and circumstances have occurred that indicate potential impairment of long-lived assets, indicating the remaining balance of these assets may not be recoverable. When factors indicate that these assets should be evaluated for possible impairment, the Company's management uses several factors to measure impairment, including the Company's projection of future operating cash flows relating to these assets. No impairment losses have been recorded by the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is determined on a straight-line basis over the estimated useful lives ranging from 5 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment. Leasehold improvements are amortized over the lives of the leases or estimated useful lives of the assets, whichever is shorter. When assets are sold or otherwise retired, the cost and accumulated depreciation are removed from the books and the resulting gain or loss is included in operating results. The Company periodically evaluates the carrying value of its property, plant, and equipment based upon the estimated cash flows to be generated by the related assets. If impairment is indicated, a loss is recognized. No impairment losses have been recorded by the Company.

Investments

Investments in non-wholly-owned companies are generally accounted for under the equity method of accounting when the Company has a 20% to 50% ownership interest or exercises significant influence over the venture. If the Company's interest exceeds 50% or, if the Company has the power to direct the economic activities of the entity and the obligation to absorb losses, the results of the non-wholly-owned company are consolidated herein. All other investments are generally accounted for under the cost method.

Deferred Financing Costs

The Company capitalizes certain expenses incurred in connection with its long-term debt and line of credit obligations and amortizes them over the term of the respective debt agreement. The amortization expense of the deferred financing costs is included in interest expense on the consolidated statements of operations. If the Company redeems portions of its long-term debt prior to the maturity date, deferred financing costs are charged to expense on a pro rata basis.

Goodwill

Goodwill is not amortized. It is tested annually for impairment (and in interim periods if events or circumstances indicate that the related carrying amount may be impaired).

Goodwill is tested for impairment using a two-step process. The first step of the goodwill impairment test, which is used to identify potential impairment, compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

Changes in the carrying amount of goodwill were as follows:

		Carrying Amount
		(in thousands)
Balance at January 4, 2010	$	17,115
Balance at January 2, 2011		17,115
Impairment		7,061
Balance at January 1, 2012	$	10,054

As a result of the Company's annual goodwill impairment test (performed on November 1, 2011), the Company concluded that the carrying value of one of its reporting units exceeded its fair value and resulted in an approximately $7,060,000 write-down of goodwill. The impairment resulted from a combination of factors, including the U.S. construction market downturn, a decline in margins for the reporting unit and continued depressed operating results and estimated future cash flows relating to the reporting unit.

The fair values of the Company's other reporting units exceeded the related carrying value and, therefore, impairment of the related goodwill was not indicated.

There were no changes in the carrying amount of goodwill for the year ended January 2, 2011.

Revenue and Cost Recognition

The Company performs its services primarily under fixed-price contracts and recognizes revenues and costs from construction projects using the percentage of completion method. Under this method, revenue is recognized based upon either the ratio of the costs incurred to date to the total estimated costs to complete the project or the ratio of tons fabricated to date to total estimated tons. Revenue recognition begins when work has commenced. Costs include all direct material and labor costs related to contract performance, subcontractor costs, indirect labor, and fabrication plant overhead costs, which are charged to contract costs as incurred. Revenues relating to changes in the scope of a contract are recognized when the work has commenced, the Company has made an estimate of the amount that is probable of being paid for the change and there is a high degree of probability that the charges will be approved by the customer or general contractor. At January 1, 2012 and January 2, 2011, the Company had $15,302,000 and $7,919,000, respectively, of unapproved change orders on open projects, for which it has recognized revenues on a percent complete basis in each fiscal year. While the Company has been successful in having the majority of its change orders approved in prior years, there is no guarantee that the majority of unapproved change orders at January 1, 2012 will be approved. Revisions in estimates during the course of contract work are reflected in the accounting period in which the facts requiring the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period a loss on a contract becomes determinable.

Construction contracts with customers generally provide that billings are to be made monthly in amounts which are commensurate with the extent of performance under the contracts. Contract receivables arise principally from the balance of amounts due on progress billings on jobs under construction. Retentions on contract receivables are amounts due on progress billings, which are withheld until the completed project has been accepted by the customer.

Costs and recognized earnings in excess of billings on uncompleted contracts primarily represent revenue earned under the percentage of completion method which has not been billed. Billings in excess of related costs and recognized earnings on uncompleted contracts represent amounts billed on contracts in excess of the revenue allowed to be recognized under the percentage of completion method on those contracts.

(Loss) Income Per Common Share

Basic (loss)/income per common share is computed by dividing net (loss) income by the weighted average number of common shares outstanding during the year before giving effect to stock options and unvested restricted stock grants. Diluted (loss) income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year after giving effect to stock options and unvested restricted stock grants.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are recognized, net of any valuation allowance, for deductible temporary differences and net operating loss and tax credit carry forwards. The Company regularly evaluates the realizeability of its deferred tax assets by assessing its forecasts of future taxable income and reviewing available tax planning strategies that could be implemented to realize the deferred tax assets. Based on this evaluation, it was determined that realization of the deferred tax assets is more likely than not.

Stock-Based Compensation

The Company recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. The Company elected the modified prospective method of application, which requires the Company to recognize compensation expense on a prospective basis. Under this method, in addition to reflecting compensation expense for new share-based awards, expense is also recognized to reflect the remaining service period of awards that had been granted in prior periods.

Self-insurance

The Company is self-insured for its medical and dental insurance up to certain annual stop-loss limits and its employees' workers' compensation claims. An estimate for medical and dental insurance and workers' compensation claims is charged to income for claims incurred but not paid, claims incurred but not reported and for future claims from injuries existing at year-end.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term maturity of these instruments. The carrying amounts of long term accounts receivable approximate fair value based on the collection analysis performed and recording of necessary reserves. The fair values of the Company's long term borrowings are estimated based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. Such values approximate the carrying value of the borrowings as of fiscal year end.

Derivative Financial Instruments

All derivative financial instruments are recognized as either assets or liabilities at their fair value in the balance sheet with the changes in the fair value reported in current-period earnings. These interest rate swaps were classified on the balance sheet as Other Current Liabilities and the change in the fair value was recorded on the statement of operations in Other Income. For the year ended January 2, 2011, the Company recognized expense of $15,000 on these instruments. These interest rate swaps were terminated in March 2010.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company routinely evaluates its estimates, including those related to the extent of progress towards completion, contract revenues and contract costs on long-term contracts, bad debts, income taxes, impairment of long-lived assets, including goodwill, inventories, environmental matters and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Recently Issued Accounting Standards

In June 2011, the FASB amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of this new guidance are effective for the Company in the first quarter of 2012. The adoption of this guidance is not expected to have an effect on the Company's operating results or financial position.

In September 2011, the FASB issued updated guidance on the assessment of goodwill impairment. This guidance allows companies to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two-step goodwill impairment test. The provisions of this new guidance are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company will be required to adopt the new guidance as of January 2, 2012 and does not expect it to have an impact on its consolidated results of operations or financial position.

2. Receivables and Contracts in Progress

Receivables consist of the following:

		January 1 2012	January 2 2011
		(in thousands)	
Contract receivables:			
Contracts in progress	$	81,772 $	75,472
Unbilled retentions		22,787	17,128
Allowance for doubtful accounts		(44)	(183)
		104,515	92,417
Other receivables		493	200
	$	105,008 $	92,617

Substantially all of the Company's receivables are due from general contractors operating in Arizona, California, Colorado, Florida, Georgia, Nevada, Texas and Panama.

Costs and recognized earnings in excess of billings on uncompleted contracts and billings in excess of costs and recognized earnings on uncompleted contracts consist of the following:

		January 1 2012	January 2 2011
		(in thousands)	
Costs incurred on contracts in progress	$	439,025 $	629,008
Estimated earnings		37,264	118,080
		476,289	747,088
Less progress billings		472,469	787,507
	$	3,820 $	(40,419)
The above is included in the accompanying consolidated balance sheets under the following captions:			
Costs and recognized earnings in excess of billings on uncompleted contracts	$	28,369 $	7,869
Billings in excess of costs and recognized earnings on uncompleted contracts		(24,549)	(48,288)
	$	3,820 $	(40,419)

3. Inventories

Inventories consist of the following:

	January 1 2012	January 2 2011
	(in thousands)	
Raw materials	$ 19,679	$ 18,412
Work in process	926	279
Finished goods	166	136
	$ 20,771	$ 18,827

4. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	January 1 2012	January 2 2011
	(in thousands)	
Land	$ 22,420	$ 20,360
Buildings	29,635	27,442
Building and leasehold improvements	10,040	9,861
Machinery and equipment	56,650	52,746
Transportation equipment	3,793	3,696
Detailing equipment	269	269
Furniture and fixtures	2,754	2,743
EDP equipment	10,553	10,192
Construction in progress	2,547	1,932
	138,661	129,241
Less accumulated depreciation and amortization	63,250	55,199
	$ 75,411	$ 74,042

Depreciation expense was $8,449,000 and $7,951,000 for the years ended January 1, 2012 and January 2, 2011, respectively.

5. Accounts Payable

Accounts payable consists of the following at:

	January 1 2012	January 2 2011
	(in thousands)	
Accounts payable	$ 52,457	$ 19,605
Retentions payable	4,850	4,152
	$ 57,307	$ 23,757

6. Other Current Liabilities

Other current liabilities consist of the following:

		January 1 2012	January 2 2011
		(in thousands)	
Sales, use and property taxes	$	1,131 $	1,751
Workers' compensation		2,581	3,218
Other		571	618
	$	4,283 $	5,587

7. Long-Term Debt and Line of Credit

Long-term debt consists of the following:

		January 1 2012	January 2 2011
		(in thousands)	
Note payable collateralized by the Company's real estate, with interest payable monthly at the greater of LIBOR or 3% plus 11% and principal payable quarterly over a 3.75 year period and one final balloon payment of $15,250,000, maturing in 2015	$	30,000 $	-
Note payable to a bank under a revolving line of credit agreement, collateralized by the Company's assets, with interest payable monthly at the LIBOR plus 4.25 percent, maturing in 2016		24,413	-
Unsecured note payable to majority shareholder, with 13% interest payable annual in kind through an increase in the principal amount of the note, maturing in 2016		1,410	-
Note payable to a bank collateralized by the Company's real estate, with interest and principal payable monthly at the bank's base rate plus 0.5 percent, repaid in 2011		-	4,028
Note payable to a bank collateralized by the Company's machinery and equipment, with interest and principal payable monthly at the bank's base rate plus 0.5 percent, repaid in 2011		-	732
Note payable to a bank collateralized by the Company's real estate, with interest and principal payable monthly at the bank's base rate plus 0.5 percent, repaid in 2011		-	2,888
		55,823	7,648
Less current portion		26,413	2,025
$		29,410 $	5,623

Aggregate debt maturities are as follows (in thousands):

		26,413
2013		4,000
2014		5,000
2015		19,000
2016		1,410
	$	55,823

On December 28, 2011, the Company obtained a $30,000,000 term loan from GB Merchant Partners, LLC ("GB Merchant"). The loan is secured by a first priority, perfected security interest in all of the Company's real estate and has 3.75 year amortization period requiring a quarterly principal payments and a final balloon payment at maturity. The loan has a floating interest rate of the greater of LIBOR or 3.0% plus an applicable margin (from 10.0% to 11.0%, based on the Company's Leverage Ratio) and requires monthly interest payments.

On December 28, 2011, the Company signed a $1,410,000 unsecured note with the majority shareholder. The note has 13.0% annual interest rate, with interest payable annually in kind through an increase in the principal amount of the note. The principal balance (including any principal amount added as interest in kind) is payable at the earlier of demand or maturity of the note. However, no payments can be made prior to the repayment of the $30,000,000 term loan.

The Company has a Credit and Security Agreement ("Credit Facility") with Wells Fargo Credit, Inc. ("Wells Fargo"), pursuant to which Wells Fargo agreed to advance up to a maximum amount of $50,000,000 to the Company. On December 28, 2011, the Company amended its Credit Facility, pursuant to which Wells Fargo agreed to allow the Company to obtain the term loan from GB Merchant and extend the maturity date of the credit facility to May 31, 2016. The Credit Facility has a floating interest rate of LIBOR plus 4.25% (4.875% at January 1, 2012) and requires monthly interest payments.

The Credit Facility is secured by a first priority, perfected security interest in all of the Company's assets, excluding the real estate, and its present and future subsidiaries and a second priority, perfected security interest in all of the Company's real estate. The security agreements pursuant to which the Company's assets are pledged prohibit any further pledge of such assets without the written consent of the bank. The Credit Facility contains various restrictive covenants which are effective in the first quarter of 2012.

At January 1, 2012, the Company had $24,413,000 of borrowings and $3,361,000 of outstanding letters of credit issued under its Credit Facility. There was $22,226,000 available under the Company's Credit Facility at January 1, 2012.

The Company made interest payments of approximately $615,000, and $964,000 for the years ended January 1, 2012 and January 2, 2011, respectively, on its long-term debt and line of credit.

8. Income Taxes

Deferred tax assets and liabilities are composed of the following

	January 1, 2012		January 2, 2011	
	Current	Long-Term	Current	Long-Term
	(in thousands)			
Deferred tax assets:				
Compensation accrual	$ 1,050	$ -	$ 838	$ -
Accrued liabilities	331	-	357	-
Deferred rents payable	-	67	-	76
Stock-based compensation	21	-	5	-
Revenue recognition on contracts in progress	908	-	-	-
Inventory writedown	146	-	249	-
Allowance for doubtful accounts	17	-	70	-
Contribution carryforward	-	166	-	289
Self-insurance	718	-	390	-
Other	88	-	1	-
	3,279	233	1,910	365
Deferred tax liabilities:				
Property, plant and equipment basis difference	-	95	-	93
Accelerated depreciation	-	7,250	-	7,272
Other	-	31	-	1
	-	7,376	-	7,366
Net deferred tax assets (liabilities)	$ 3,279	$ (7,143)	$ 1,910	$ (7,001)

Significant components of the income tax provision are as follows:

	January 1 2012	January 2 2011
	(in thousands)	
Current:		
Federal	$ (2,406)	$ 1,322
State	(299)	(52)
Foreign	(310)	-
	(3,015)	1,270
Deferred:		
Federal	1,201	(2,370)
State	26	(270)
	1,227	(2,640)
	$ (1,788)	$ (1,370)

The reconciliation of income tax computed at the U.S. federal statutory rates to the provision for income taxes is as follows:

	Year Ended	
	January 1 2012	January 2 2011
	(in thousands)	
Tax at U.S. federal statutory rates	$ 1,120	$ (927)
Goodwill impairment	(2,471)	-
State income taxes, net of federal tax benefit	(273)	(287)
Section 199 manufacturing deduction	227	9
Research & Development Credit	24	29
Effect of rates different than statutory	(13)	-
Other	(402)	(194)
	$ (1,788)	$ (1,370)

Total income tax payments for the years ended January 1, 2012 and January 2, 2011, were approximately $492,000 and $372,000, respectively. For the years ended January 1, 2012 and January 2, 2011, the Company received tax refunds of approximately $1,725,000 and $1,647,000, respectively.

The Company has not provided for U.S. income taxes or foreign withholding taxes on undistributed earnings of our foreign subsidiaries as they are considered to be reinvested indefinitely. Upon remittance of those earnings in the form of dividends or under other circumstances, the Company would be subject to both U.S. income taxes and withholding taxes payable to various foreign countries less an adjustment for foreign tax credits. It is not practical to estimate the amount of tax liability related to earnings of these foreign subsidiaries.

The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position when, based on the technical merits, it is "more-likely-than-not" that the tax position will be sustained upon examination.

As of January 1, 2012, the Company has unrecognized tax benefits of $2,839,000 that, if recognized, would favorably impact the Company's effective tax rate. The Company does not anticipate a significant change in the total amount of unrecognized tax benefits during the next twelve months.

The Company may, from time to time, be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In the event the Company has received an assessment of interest and/or penalties, the interest has been classified as interest expense while the penalties have been classified as selling, general and administrative expense in the financial statements. As of January 1, 2012 and January 2, 2011, the Company has accrued $207,000 and $92,000, respectively, of interest related to uncertain tax positions.

The Company files U.S., state and foreign income tax returns with varying statutes of limitations. The 2007 through 2011 tax years generally remain subject to examination by the U.S. federal and state tax authorities. The 2010 and 2011 tax years remain subject to examination by the foreign tax authority.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows (in thousands):

	Year Ended	
	January 1 2012	January 2 2011
Balance at beginning of year	$ 2,839	$ 2,839
Increases for tax positions taken in prior years	-	-
Decreases for tax positions taken in prior years	-	-
Decrease for tax positions due to lapse of statutes of limitations or close of audit	-	-
Settlements	-	-
Balance at end of year	$ 2,839	$ 2,839

9. Employee Retirement Plans

The Company maintains a 401(k) retirement savings plan which covers eligible employees and permits participants to contribute to the plan, subject to Internal Revenue Code restrictions. The plan also permits the Company to make discretionary matching contributions. On April 1, 2010, the Company suspended its discretionary matching contribution. The discretionary matching contributions were reinstated on September 1, 2011. Discretionary matching contributions amounted to approximately $230,000 and $146,000 for the years ended January 1, 2012 and January 2, 2011, respectively.

Certain of the Company's fabrication and erection workforce are subject to collective bargaining agreements. The Company contributes to union-sponsored, multi-employer pension plans. Contributions are made in accordance with negotiated labor contracts. The passage of the Multi-Employer Pension Plan Amendments Act of 1980 (the Act) may, under certain circumstances, cause the Company to become subject to liabilities in excess of contributions made under collective bargaining agreements. Generally, liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the plans. As of January 1, 2012, the Company has not undertaken to terminate, withdraw, or partially withdraw from any of these plans. Under the Act, liabilities would be based upon the Company's proportionate share of each plan's unfunded vested benefits.

The Company made contributions to various union sponsored pension plans of $3,344,000 and $2,981,000 during the years ended January 1, 2012 and January 2, 2011, respectively. The Company's funding policy is to make monthly contributions to the plans.

The Company has a 401(k) defined contribution retirement savings plan for union steelworkers. Currently, only participants contribute to this plan on a voluntary basis, subject to Internal Revenue Code restrictions. All account balances are 100 percent vested.

10. (Loss) Income Per Share

The following table sets forth the computation of basic and diluted (loss) income per share:

	Year Ended			
	January 1 2012		January 2 2011	
	(in thousands except per share data)			
Numerator:				
Net (loss) income	$	(5,032)	$	1,280
Denominator for basic (loss) income per share - weighted average shares		9,688		9,689
Effect of dilutive securities:				
Employee and director stock options		-		1
Unvested restricted stock grants		-		42
Denominator for diluted (loss) income per share - adjusted weighted average shares and assumed conversions		9,688		9,732
Basic (loss) income per share:	$	(0.52)	$	0.13
Diluted (loss) income per share:	$	(0.52)	$	0.13

Unvested restricted stock grants of 73,993 shares were outstanding during 2011 but were not included in the computation of diluted net loss per share because the unvested restricted stock grants would be anti-dilutive due to the net loss.

11. Stock-Based Compensation

The Company recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. The Company elected the modified prospective method of application, which requires the Company to recognize compensation expense on a prospective basis. Under this method, in addition to reflecting compensation expense for new share-based awards, expense is also recognized to reflect the remaining service period of awards that had been granted in prior periods.

Restricted stock grants ("Grants") vest over three or five years. The Grants provide for accelerated vesting if there is a change in control (as defined in the agreements). The grant-date fair value of restricted stock grants is estimated as the market price of the Company's stock as of the date of the grant.

A summary of the status of the Company's nonvested shares as of January 1, 2012 and changes during the year ended January 1, 2012, is presented below:

	Shares		Weighted- Average Grant-Date Fair Value
Nonvested at January 3, 2011	20,000	$	16.50
Granted	96,000		15.00
Vested	(42,007)		15.36
Nonvested at January 1, 2012	73,993	$	15.20

The compensation cost that has been charged against operations for the Grants was $685,000 and $1,664,000 for 2011 and 2010, respectively. As of January 1, 2012, there was $1,071,000 of total unrecognized compensation cost related to nonvested Grants. That cost is expected to be recognized over a weighted-average period of 1.9 years. The total fair value of shares vested during the years ended January 1, 2012 and January 2, 2011, was $294,000 and $2,074,000, respectively. The compensation cost for share-based payment awards is included in general and administrative expenses on our consolidated statements of operations.

12. Related Party Transactions and Leases

The Company leases a property under terms of an operating lease agreement from a partnership owned by the majority shareholder and his family. The lease expires in 2017 and requires stipulated rent increases every five years based on the Consumer Price Index. The Company is also obligated to pay the partnership any taxes related to the lease payments.

Rent expense under the related party leases totaled approximately $694,000 for both of the years ended January 1, 2012 and January 2, 2011.

The Company also leases certain property, vehicles, and equipment from nonrelated parties for which it incurred rent expense of approximately $737,000 and $832,000 for the years ended January 1, 2012 and January 2, 2011, respectively.

Future minimum rentals (excluding taxes), by year, and in the aggregate under these noncancelable operating leases are as follows:

	Related Party	Nonrelated Party	Total
		(in thousands)	
2012	$ 720	$ 695	$ 1,415
2013	720	652	1,372
2014	720	320	1,040
2015	720	284	1,004
2016	720	288	1,008
Thereafter	120	94	214
	$ 3,720	$ 2,333	$ 6,053

13. Commitments and Contingencies

The Company is involved from time to time through the ordinary course of business in certain claims, litigation, and assessments. Due to the nature of the construction industry, the Company's employees from time to time become subject to injury, or even death, while employed by the Company. The Company does not believe there are any such contingencies at January 1, 2012 for which the eventual outcome would have a material adverse impact on the financial position, results of operations or liquidity of the Company.

On February 9, 2009, the Roosevelt Irrigation District ("RID") brought suit in the United States District Court for the District Court of Arizona against Salt River Project Agricultural Improvement and Power District and approximately one-hundred other defendants, including our subsidiary, Schuff Steel Company ("Schuff"). RID operates one-hundred groundwater wells in western Maricopa County and contends that approximately twenty of its wells are contaminated. RID asserts recovery against the defendants under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA" or "Superfund") for the recovery of costs incurred by

RID in responding to the defendants' alleged releases or threatened releases of hazardous substances into groundwater that allegedly impact or threaten to impact the groundwater in the West Van Buren area of Phoenix, Arizona. RID has submitted an Early Response Action ("ERA") to the Arizona Department of Environmental Quality ("ADEQ") and has asserted future potential remediation costs in excess of $40,000,000. ADEQ received substantial public comment against the ERA. In July 2010, the ADEQ granted conditional approval to RID's remediation plan with a substantial number of conditions and milestones. Accordingly, RID amended its complaint and Schuff was served with the first amended complaint in late July 2010. Initially, most defendants filed either various motions to dismiss RID's complaint or motions for summary judgment based on certain legal theories but the Court dismissed these motions without prejudice to focus on substantial motions to disqualify counsel for RID based upon various conflicts of interest with RID's chosen counsel. The Court granted certain motions by five defendants to disqualify RID's counsel by order dated August 26, 2011. Currently, the court is attempting to determine and rule upon a method to implement the disqualification order. Until this issue concerning RID's counsel is resolved, legal filings with the court are prohibited. Most defendants have not answered the first amended complaint. There are numerous complex legal, technical and practical issues surrounding the ERA as well as this environmental suit, which is at its initial stages. Schuff denies any liability to RID and intends to aggressively defend itself against any allegation that its operations contaminated the groundwater.

On February 5, 2010, Silver Steel, Inc. ("Silver") brought suit in Clark County, Nevada District Court (the "Court") against our subsidiary Schuff Steel Company ("Schuff") and our bonding company. Silver acted as second tier subcontractor to Schuff on the Sobella Retail project ("project"), which was part of the City Center Project in Las Vegas, Nevada. Silver agreed in October, 2007, to a fixed price of approximately $1,483,000 to perform metal deck installation and to perform extra work at agreed upon hourly rates. During the project, Silver submitted over 500 extra work orders ("EWO"), which were then bundled into proposed change orders ("PCO"). Twenty-four executed change orders were issued totaling approximately $3,305,000, for a total adjusted contract of approximately $4,788,000. Schuff has paid the adjusted contract value. Silver completed construction of the base scope of its work in August 2008. It performed extra work on the project into January 2009. Silver never complained during the project about any unpaid extra work or alleged impacts. Thereafter, on February 26, 2009, Silver first gave Schuff notice of a claim in PCO 43, in the amount of $666,000. Schuff arranged for Silver to present its claim to Perini Construction Company ("Perini"), the general contractor, which denied the claim, in part because there was no backup presented by Silver. Schuff claims that it was prejudiced by the late claim, because if it had been put on notice of an impact during the course of the project, it could have taken action to minimize the impact or to pass the claim upstream to Perini or the owner. Silver's initial claims in the litigation were for breach of contract, among other legal theories, against Schuff for allegedly unpaid work and its alleged damages, which had increased to $2,433,000. Schuff has denied any liability. In November 2011, Silver increased its total cost claim for damages to approximately $4,300,000. Schuff continues to dispute that Silver is entitled to any additional amounts and that the damages claims are incorrect and based upon unsupportable facts and assumptions. Trial in this matter occurred between February 7 and 21, 2012, and is now under submission with the Court.

The Company is self-insured for its employees' workers' compensation claims. Under provisions of the policies, the Company has purchased stop/loss insurance to mitigate its risks against catastrophic injury-related events. The stop/loss amount for workers' compensation is $350,000 per employee per accident. At January 1, 2012 and January 2, 2011, the Company had an accrual of approximately $2,581,000 and $3,218,000, respectively, for workers' compensation claims incurred but not paid or reported and for future claims from injuries existing at year-end (see Note 6).

The Company is self-insured for its employees' medical and dental insurance claims. Under provisions of the policies, the Company has purchased stop/loss insurance to mitigate its risks against catastrophic medical events. The stop/loss amount for medical insurance claims is $300,000 per claimant and 110% of expected claims for each plan year. At January 1, 2012 and January 2, 2011, the Company had an accrual of approximately $2,160,000 and $1,362,000, respectively, for medical and dental insurance claims incurred but not paid or reported and for our terminal liability with our insurance service provider.

The Company has approximately $47,654,000 of performance bonds issued on its behalf as of January 1, 2012. The performance bonds were required by various general contractors to guarantee the Company's performance on projects.

14. Significant Customers

During 2011, the Company had revenues from a customer that totaled approximately 11% of total revenues. In addition, receivables from this customer totaled approximately 3% of total receivables at January 1, 2012. During 2010, the Company did not have revenues from any one customer that were in excess of 10 percent of 2010 revenues.

During the years ended January 1, 2012 and January 2, 2011, the Company's revenues included approximately $13,317,000 and $11,434,000, respectively, relating to projects carried out internationally for which there was approximately $2,965,000 in accounts receivables at January 1, 2012 and no outstanding amounts in receivables at January 2, 2011.

15. Quarterly Results of Operations (Unaudited)

A summary of the quarterly results of operations for the years ended January 1, 2012 and January 2, 2011 follows (in thousands, except for per share amounts):

		2011			
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$	70,738 $	89,782 $	102,104 $	129,537
Gross profit		9,501	8,280	11,086	14,151
Net (loss) income		258	(463)	733	(5,560)
(Loss) income per share:					
Basic	$	0.03 $	(0.05)$	0.08 $	(0.59)
Diluted	$	0.03 $	(0.05)$	0.08 $	(0.59)
Weighted average number of shares outstanding:					
Basic		9,757	9,757	9,757	9,482
Diluted		9,758	9,760	9,766	9,483

	2010			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$ 81,988	$ 66,528	$ 65,966	$ 73,084
Gross profit	12,772	10,372	9,786	8,599
Net (loss) income	1,577	658	296	(1,251)
(Loss) income per share:				
Basic	$ 0.16	$ 0.07	$ 0.03	$ (0.13)
Diluted	$ 0.16	$ 0.07	$ 0.03	$ (0.13)
Weighted average number of shares outstanding:				
Basic	9,656	9,658	9,709	9,735
Diluted	9,706	9,707	9,756	9,767

The 2011 and 2010 quarterly results for basic and diluted (loss) income per share, when totaled, may not equal the basic and diluted (loss) income per share for the years ended January 1, 2012 and January 2, 2011. These variances are due to rounding.

16. Backlog

The Company's backlog was $258,831,000 ($198,150,000 under contracts or purchase orders and $60,681,000 under letters of intent) and $173,366,000 ($168,197,000 under contracts or purchase orders and $5,169,000 under letters of intent) at January 1, 2012 and at January 2, 2011, respectively. The Company's backlog can be significantly affected by the receipt, or loss, of individual contracts. Approximately $96,217,000, representing 37.2% of the Company's backlog at January 1, 2012, was attributable to five contracts, letters of intent, notices to proceed or purchase orders. If one or more large contracts are terminated or their scope reduced, the Company's backlog could decrease substantially.

17. Subsequent Events

The entity has evaluated subsequent events through March 13, 2012, which is the date the consolidated financial statements were available to be issued. No subsequent events requiring disclosure were identified.

SCHUFF INTERNATIONAL, INC.
AND SUBSIDIARIES

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 30, 2012

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Schuff International, Inc.

We have audited the accompanying consolidated financial statements of Schuff International, Inc. and subsidiaries, which comprise the consolidated balance sheets as of December 30, 2012 and January 1, 2012, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Schuff International, Inc. and subsidiaries as of December 30, 2012 and January 1, 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Phoenix, Arizona
March 20, 2013

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	December 30 2012	January 1 2012
	(in thousands, except for share data)	
Assets		
Current assets		
Cash and cash equivalents	$ 8,070	$ 7,634
Receivables (Notes 2 and 14)	96,974	105,008
Costs and recognized earnings in excess of billings on uncompleted contracts (Note 2)	13,163	28,369
Inventories (Note 3)	18,346	20,771
Deferred tax asset (Note 8)	2,027	3,279
Prepaid expenses and other current assets	1,510	1,477
Total current assets	140,090	166,538
Property, plant and equipment, net (Note 4)	71,353	75,411
Goodwill	10,054	10,054
Other assets	5,885	6,018
	$ 227,382	$ 258,021
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable (Note 5)	$ 38,951	$ 57,307
Accrued payroll and employee benefits	8,172	12,317
Accrued interest	556	73
Other current liabilities (Note 6)	4,533	4,283
Billings in excess of costs and recognized earnings on uncompleted contracts (Note 2)	40,289	24,549
Income tax payable (Note 8)	2,955	3,357
Current portion of long-term debt (Note 7)	4,910	26,413
Total current liabilities	100,366	128,299
Long-term debt (Note 7)	23,500	29,410
Deferred tax liability (Note 8)	6,068	7,143
Other liabilities	1,718	170
	31,286	36,723
Commitments and Contingencies (Notes 7, 9, 11, 12 and 13)		
Schuff International stockholders' equity (Note 10)		
Preferred stock, $.001 par value – authorized 1,000,000 shares, none issued	-	-
Common stock, $.001 par value – 20,000,000 shares authorized, 10,038,707 and issued in both 2012 and 2011, and 4,179,796 and 4,146,589 shares outstanding in 2012 and 2011, respectively	10	10
Additional paid-in capital	49,152	49,249
Retained earnings	119,360	117,187
Treasury stock - 5,858,911 and 5,892,118 shares, in 2012 and 2011, respectively, at cost	(77,187)	(77,706)
Total Schuff International stockholders' equity	91,335	88,740
Non-controlling interest	4,395	4,259
Total stockholders' equity	95,730	92,999
	$ 227,382	$ 258,021

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended	
	December 30 2012	January 1 2012
	(in thousands, except per share data)	
Revenues (Note 14)	$ 447,047	$ 392,161
Cost of revenues	400,955	349,143
Gross profit	46,092	43,018
General and administrative expenses (Note 11)	37,314	38,369
Goodwill impairment	-	7,061
Operating income (loss)	8,778	(2,412)
Interest expense	(6,483)	(1,141)
Other income	860	352
Income (loss) before income tax provision	3,155	(3,201)
Income tax provision (Note 8)	(846)	(1,788)
Income (loss) before non-controlling interest	2,309	(4,989)
Non-controlling interest	(136)	(43)
Net income (loss)	$ 2,173	$ (5,032)
Income (loss) per common share: (Note 10)		
Basic	$ 0.52	$ (0.52)
Diluted	$ 0.52	$ (0.52)
Weighted average shares used in computation: (Note 10)		
Basic	4,156	9,688
Diluted	4,160	9,688

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Non-controlling Interest	Total
				(in thousands)			
Balance at January 3, 2011	9,756 $	10 $	49,199 $	122,219 $	(3,391)$	- $	168,037
Net loss	-	-	-	(5,032)	-	-	(5,032)
Issuance of common stock	1	-	8	-	-	-	8
Non-controlling interest	-	-	-	-	-	4,216	4,216
Non-controlling interest income	-	-	-	-	-	43	43
Tax effect of stock-based compensation	-	-	(138)	-	-	-	(138)
Purchase of treasury stock	(5,652)	-	-	-	(74,820)	-	(74,820)
Issuance of treasury stock-restricted stock grant	42	-	(505)	-	505	-	-
Compensation expense-restricted stock grant	-	-	685	-	-	-	685
Balance at January 1, 2012	4,147	10	49,249	117,187	(77,706)	4,259	92,999
Net income	-	-	-	2,173	-	-	2,173
Non-controlling interest income	-	-	-	-	-	136	136
Tax effect of stock-based compensation	-	-	(92)	-	-	-	(92)
Purchase of treasury stock	(30)	-	-	-	(312)	-	(312)
Issuance of treasury stock-director grants	20	-	(84)	-	264	-	180
Issuance of treasury stock-restricted stock grant	43	-	(567)	-	567	-	-
Compensation expense-restricted stock grant	-	-	646	-	-	-	646
Balance at December 30, 2012	4,180 $	10 $	49,152 $	119,360 $	(77,187)$	4,395 $	95,730

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	
	December 30 2012	January 1 2012
	(in thousands)	
Operating Activities		
Net income (loss)	$ 2,173	$ (5,032)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Net increase (decrease) in allowance for doubtful accounts	73	(139)
Depreciation and amortization	8,563	8,583
Loss from extinguishment of debt	-	233
Goodwill impairment	-	7,061
Gain on disposals of property plant and equipment	(428)	(11)
Deferred income taxes	177	(1,227)
Non-controlling interest income	136	43
Excess tax benefit of restricted stock awards	92	138
Stock awards	180	8
Compensation expense - restricted stock grant	646	685
Changes in working capital components:		
Receivables	7,961	(12,364)
Costs and recognized earnings in excess of billings on uncompleted contracts	15,206	(20,500)
Inventories	2,425	(955)
Prepaid expenses and other current assets	(33)	252
Accounts payable	(18,356)	33,550
Accrued payroll and employee benefits	(4,145)	5,699
Accrued interest	483	18
Other current liabilities	250	(264)
Billings in excess of costs and recognized earnings on uncompleted contracts	15,740	(23,739)
Income taxes payable/receivable	(494)	4,515
Other liabilities	1,548	(29)
Net cash provided by (used in) operating activities	32,197	(3,475)
Investing activities		
Acquisitions of property, plant and equipment	(4,035)	(3,395)
Investment in joint venture	-	(4,050)
Proceeds from disposals of property, plant and equipment	739	31
Increase in other assets	(389)	(94)
Net cash used in investing activities	(3,685)	(7,508)
Financing activities		
Net payments on revolving line of credit	(24,413)	(1,132)
Principal payments on long-term debt	(3,000)	(7,648)
Proceeds from exercise of stock options and stock purchase plan	-	1
Payment of debt issuance costs	(259)	(2,603)
Purchase of treasury stock	(312)	(17,866)
Excess tax benefit of restricted stock awards	(92)	(138)
Net cash used in financing activities	(28,076)	(29,386)
Increase (decrease) in cash and cash equivalents	436	(40,369)
Cash and cash equivalents at beginning of year	7,634	48,003
Cash and cash equivalents at end of year	$ 8,070	$ 7,634
Supplemental schedule of non-cash investing and financing activities:		
Contribution of net assets from non-controlling interest	$ -	$ 4,216
Acquisition of treasury stock and assumption of debt	$ -	$ 56,954

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 30, 2012 and January 1, 2012

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Schuff International, Inc. and its wholly-owned subsidiaries ("Schuff" or the "Company") are primarily steel fabrication and erection contractors with headquarters in Phoenix, Arizona and operations in Arizona, Florida, Georgia, Texas, Kansas, California and the New York City area. The Company's construction projects are primarily in the aforementioned states and location, except for Kansas and the New York City area. In addition, the Company has construction projects in select international markets, primarily Panama. Its wholly- owned subsidiaries are Schuff Steel Company, Schuff Steel – Atlantic, L.L.C., Quincy Joist Company, Schuff Steel – Gulf Coast, Inc., On-Time Steel Management Holding, Inc., Schuff Steel Management Company – Southwest, Inc., Schuff Steel Company – Panama, S de RL, Schuff Steel Management Company – Colorado, L.L.C. (dormant) and Schuff Steel Management Company – Southeast, L.L.C. (dormant).

On July 1, 2011, the Company formed Schuff Hopsa Engineering, Inc. ("SHE"), a Panamanian joint venture providing steel fabrication services, with Empresas Hopsa, S.A. The Company has a 49% interest in SHE but controls the operations of SHE, as provided in the operating agreement. Therefore, the assets, liabilities, revenues and expenses of SHE are included in the consolidated financial statements of the Company. Empresas Hopsa, S.A.'s 51% interest in SHE is presented as a non-controlling interest component of total equity.

Stock Repurchase

On December 29, 2011, the Company repurchased approximately 5,600,000 shares of its common stock from its majority shareholders, Plainfield Asset Management, L.L.C. ("Plainfield") and D.E. Shaw Laminar Portfolios, LLC ("Shaw"), at a negotiated price of $13.25 per share. The Company used proceeds from a term loan and unsecured note, along with borrowings under its Credit Facility and excess cash to fund the purchase of the shares. As a result of the transaction, Plainfield and Shaw no longer hold any shares of common stock of the Company. The repurchased shares are recorded at cost and presented as treasury stock in the accompanying Statement of Stockholders' Equity.

Fiscal Year

The Company uses a 4-4-5 week quarterly cycle ending on the Sunday closest to December 31. Fiscal 2012 covered the period from January 2, 2012 to December 30, 2012 (hereinafter 2012). Fiscal 2011 covered the period from January 3, 2011 to January 1, 2012 (hereinafter 2011).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Schuff International, Inc. and all wholly-owned subsidiaries. The consolidated financial statements also include the assets, liabilities, revenues and expenses of its controlled subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

In accordance with accounting principles generally accepted in the United States, references in this report to the Company's (loss) earnings per share, net (loss) income and stockholders' equity attributable to its common shareholders do not include amounts attributable to non-controlling interests.

Operating Cycle

Balance sheet items expected to be paid or received within one year are classified as current. Assets and liabilities relating to long-term construction contracts are included in current assets and current liabilities in the accompanying consolidated balance sheets, since they will be realized or liquidated in the normal course of contract completion, although completion may require more than one year.

Cash and cash equivalents

Cash consists of cash in interest bearing checking accounts. The Company considers all highly liquid investments purchased with original maturities of three months or less from the date of purchase to be cash equivalents. Certain of the Company's debt agreements require the Company to maintain a minimum cash balance of $5,000,000 at all times.

Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a specific reserve for questionable accounts and a general reserve. In accordance with industry practice, receivables include retainage, a portion of which may not be realized within one year. Management determines the allowance for doubtful accounts using historical experience and by evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Receivables are written off when deemed uncollectible and recoveries of amounts previously written off are recorded in income when received. The Company does not routinely charge interest on past due amounts unless it must pursue formal collection or legal actions.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and receivables. The Company maintains cash and cash equivalents and certain other financial instruments with a large financial institution. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. At year end, there was $1,630,000 (denominated in U.S. dollars) being held in banks outside of the United States, none of which is covered by the FDIC. Concentrations of credit risk with respect to receivables are limited as the Company's customers tend to be larger general contractors on adequately funded projects and the Company has certain lien rights.

Inventories

Inventories, primarily steel components, are stated at the lower of cost or market under the first-in, first- out method.

Long-Lived Assets with Definite Lives

The Company continually evaluates whether events and circumstances have occurred that indicate potential impairment of long-lived assets, indicating the remaining balance of these assets may not be recoverable. When factors indicate that these assets should be evaluated for possible impairment, the Company's management uses several factors to measure impairment, including the Company's projection of future operating cash flows relating to these assets. No impairment losses were recorded in 2012 and 2011.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is determined on a straight-line basis over the estimated useful lives ranging from 5 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment. Leasehold improvements are amortized over the lives of the leases or estimated useful lives of the assets, whichever is shorter. When assets are sold or otherwise retired, the cost and accumulated depreciation are removed from the books and the resulting gain or loss is included in operating results. The Company periodically evaluates the carrying value of its property, plant, and equipment based upon the estimated cash flows to be generated by the related assets. If impairment is indicated, a loss is recognized. No impairment losses were recorded in 2012 and 2011.

Investments

Investments in non-wholly-owned companies are generally consolidated or accounted for under the equity method of accounting when the Company has a 20% to 50% ownership interest or exercises significant influence over the venture. If the Company's interest exceeds 50% or, if the Company has the power to direct the economic activities of the entity and the obligation to absorb losses, the results of the non-wholly-owned company are consolidated herein. All other investments are generally accounted for under the cost method.

Deferred Financing Costs

The Company capitalizes certain expenses incurred in connection with its long-term debt and line of credit obligations and amortizes them over the term of the respective debt agreement. The amortization expense of the deferred financing costs is included in interest expense on the consolidated statements of operations. If the Company redeems portions of its long-term debt prior to the maturity date, deferred financing costs are charged to expense on a pro rata basis.

Goodwill

Goodwill is not amortized. It is tested annually for impairment (and in interim periods if events or circumstances indicate that the related carrying amount may be impaired).

Goodwill is tested for impairment using a two-step process. The first step of the goodwill impairment test, which is used to identify potential impairment, compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

As a result of the Company's annual goodwill impairment test (performed on November 1, 2011), the Company concluded that the carrying value of one of its reporting units exceeded its fair value and resulted in an approximately $7,061,000 write-down of goodwill. The impairment resulted from a combination of factors, including the U.S. construction market downturn, a decline in margins for the reporting unit and continued depressed operating results and estimated future cash flows relating to the reporting unit.

The fair values of the Company's other reporting units exceeded the related carrying value and, therefore, impairment of the related goodwill was not indicated.

Changes in the carrying amount of goodwill for the year ended January 1, 2012 were as follows:

	Carrying Amount
	(in thousands)
Balance at January 3, 2011	$ 17,115
Impairment	7,061
Balance at January 1, 2012	$ 10,054

The Company performed its 2012 annual impairment assessment in December 2012 and concluded that no impairment was indicated. There were no changes in the carrying amount of goodwill for the year ended December 30, 2012.

Revenue and Cost Recognition

The Company performs its services primarily under fixed-price contracts and recognizes revenues and costs from construction projects using the percentage of completion method. Under this method, revenue is recognized based upon either the ratio of the costs incurred to date to the total estimated costs to complete the project or the ratio of tons fabricated to date to total estimated tons. Revenue recognition begins when work has commenced. Costs include all direct material and labor costs related to contract performance, subcontractor costs, indirect labor, and fabrication plant overhead costs, which are charged to contract costs as incurred. Revenues relating to changes in the scope of a contract are recognized when the work has commenced, the Company has made an estimate of the amount that is probable of being paid for the change and there is a high degree of probability that the charges will be approved by the customer or general contractor. At December 30, 2012 and January 1, 2012, the Company had $9,910,000 and $15,302,000, respectively, of unapproved change orders on open projects, for which it has recognized revenues on a percent complete basis in each fiscal year. While the Company has been successful in having the majority of its change orders approved in prior years, there is no guarantee that the majority of unapproved change orders at December 30, 2012 will be approved. Revisions in estimates during the course of contract work are reflected in the accounting period in which the facts requiring the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period a loss on a contract becomes determinable.

Construction contracts with customers generally provide that billings are to be made monthly in amounts which are commensurate with the extent of performance under the contracts. Contract receivables arise principally from the balance of amounts due on progress billings on jobs under construction. Retentions on contract receivables are amounts due on progress billings, which are withheld until the completed project has been accepted by the customer.

Costs and recognized earnings in excess of billings on uncompleted contracts primarily represent revenue earned under the percentage of completion method which has not been billed. Billings in excess of related costs and recognized earnings on uncompleted contracts represent amounts billed on contracts in excess of the revenue allowed to be recognized under the percentage of completion method on those contracts.

Income (Loss) Per Common Share

Basic income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year before giving effect to stock options and unvested restricted stock grants. Diluted income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year after giving effect to stock options and unvested restricted stock grants.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are recognized, net of any valuation allowance, for deductible temporary differences and net operating loss and tax credit carry forwards. The Company regularly evaluates the realizeability of its deferred tax assets by assessing its forecasts of future taxable income and reviewing available tax planning strategies that could be implemented to realize the deferred tax assets. Based on this evaluation, it was determined that realization of the deferred tax assets is more likely than not.

Stock-Based Compensation

The Company recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. Fair value of the restricted stock units awarded is based on the current traded price of the Company's stock. Restricted stock grants ("Grants") vest over three or five years. The Grants provide for accelerated vesting if there is a change in control (as defined in the agreements).

Self-insurance

The Company is self-insured for its medical and dental insurance and its employees' workers' compensation claims (up to certain stop-loss limits). An estimate for medical and dental insurance and workers' compensation claims is charged to income for claims incurred but not paid, claims incurred but not reported and for future claims from injuries existing at year-end.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term maturity of these instruments. The carrying amounts of long term accounts receivable approximate fair value based on the collection analysis performed and recording of necessary reserves. The fair values of the Company's long term borrowings are estimated based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. Such values approximate the carrying value of the borrowings as of fiscal year end.

Derivative Financial Instruments

Any derivative financial instruments are recognized as either assets or liabilities at their fair value in the balance sheet with the changes in the fair value reported in current-period earnings.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company routinely evaluates its estimates, including those related to the extent of progress towards completion, contract revenues and contract costs on long-term contracts, bad debts, income taxes, impairment of long-lived assets, including goodwill, inventories, environmental matters and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Recently Issued Accounting Standards

In June 2011, the FASB amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of this new guidance were effective for the Company in the first quarter of 2012. The adoption of this guidance did not have any significant impact on the Company's operating results or financial position.

In September 2011, the FASB issued updated guidance on the assessment of goodwill impairment. This guidance allows companies to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two-step goodwill impairment test. The provisions of this new guidance are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company adopted the new guidance as of January 2, 2012 and it did not have any significant impact on its consolidated results of operations or financial position.

In February 2013, the FASB amended its guidance on comprehensive income to improve the reporting of reclassifications out of accumulated other income. This guidance requires an entity to disclose additional information with respect to changes in accumulated other comprehensive income (AOCI) balances by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. The provisions of this new guidance are effective in the first quarter of 2012. The Company does not expect the adoption of this standard to have a material effect on the Company's financial position, results of operations or cash flows.

2. Receivables and Contracts in Progress

Receivables consist of the following:	December 30 2012	January 1 2012
	(in thousands)	
Contract receivables:		
Contracts in progress	$ 69,177	$ 81,772
Unbilled retentions	26,743	22,787
Allowance for doubtful accounts	(99)	(44)
	95,821	104,515
Other receivables	1,153	493
	$ 96,974	$ 105,008

Substantially all of the Company's receivables are due from general contractors operating in Arizona, California, Colorado, Florida, Georgia, Nevada, Texas and Panama.

Costs and recognized earnings in excess of billings on uncompleted contracts and billings in excess of costs and recognized earnings on uncompleted contracts consist of the following:

	December 30 2012	January 1 2012
	(in thousands)	
Costs incurred on contracts in progress	$ 531,000	$ 439,025
Estimated earnings	57,592	37,264
	588,592	476,289
Less progress billings	615,718	472,469
	$ (27,126)	$ 3,820
The above is included in the accompanying consolidated balance sheets under the following captions:		
Costs and recognized earnings in excess of billings on uncompleted contracts	$ 13,163	$ 28,369
Billings in excess of costs and recognized earnings on uncompleted contracts	(40,289)	(24,549)
	$ (27,126)	$ 3,820

3. Inventories

Inventories consist of the following:

	December 30 2012	January 1 2012
	(in thousands)	
Raw materials	$ 17,838	$ 19,679
Work in process	328	926
Finished goods	180	166
	$ 18,346	$ 20,771

4. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 30 2012	January 1 2012
	(in thousands)	
Land	$ 22,426	$ 22,420
Buildings	29,635	29,635
Building and leasehold improvements	10,464	10,040
Machinery and equipment	57,716	56,650
Transportation equipment	3,874	3,793
Detailing equipment	269	269
Furniture and fixtures	2,650	2,754
EDP equipment	11,311	10,553
Construction in progress	2,500	2,547
	140,845	138,661
Less accumulated depreciation and amortization	69,492	63,250
	$ 71,353	$ 75,411

Depreciation expense was $7,782,000 and $8,449,000 for the years ended December 30, 2012 and January 1, 2012, respectively.

5. Accounts Payable

Accounts payable consists of the following at:

	December 30 2012	January 1 2012
	(in thousands)	
Accounts payable	$ 32,493	$ 52,457
Retentions payable	6,458	4,850
	$ 38,951	$ 57,307

6. Other Current Liabilities

Other current liabilities consist of the following:

	December 30 2012	January 1 2012
	(in thousands)	
Sales, use and property taxes	$ 930	$ 1,131
Workers' compensation	2,426	2,581
Other	1,177	571
	$ 4,533	$ 4,283

7. Long-Term Debt and Line of Credit

Long-term debt consists of the following:

	December 30 2012	January 1 2012
	(in thousands)	
Note payable collateralized by the Company's real estate, with interest payable monthly at the greater of LIBOR or 3% plus 11% and principal payable quarterly over a 3.75 year period and one final balloon payment of $15,250,000, maturing in 2015	$ 27,000	$ 30,000
Note payable to a bank under a revolving line of credit agreement, collateralized by the Company's assets, with interest payable monthly at the LIBOR plus 4.25 percent, maturing in 2016	-	24,413
Note payable to an international bank under a revolving line of credit agreement, collateralized by the Company's property and plant, with interest payable monthly at 5.25 percent plus 1 percent of the special interest compensation fund ("FECI"), renewing annually	-	-
Unsecured note payable to majority shareholder, with 13% interest payable annual in kind through an increase in the principal amount of the note, paid in 2013	1,410	1,410
	28,410	55,823
Less current portion	4,910	26,413
	$ 23,500	$ 29,410

Aggregate debt maturities are as follows (in thousands):

2013	4,910
2014	4,750
2015	18,750
2016	-
2017	-
	$ 28,410

On December 28, 2011, the Company obtained a $30,000,000 term loan ("Term Loan") from GB Merchant Partners, LLC ("GB Merchant"). The loan is secured by a first priority, perfected security interest in all of the Company's real estate and has 3.75 year amortization period requiring a quarterly principal payments and a final balloon payment at maturity. The loan has a floating interest rate of the greater of LIBOR or 3.0% plus an applicable margin (from 10.0% to 11.0%, based on the Company's Leverage Ratio) and requires monthly interest payments.

On December 28, 2011, the Company signed a $1,410,000 unsecured note with the majority shareholder. The note has 13.0% annual interest rate, with interest payable annually in kind through an increase in the principal amount of the note. The principal balance (including any principal amount added as interest in kind) is payable at the earlier of demand or maturity of the note. The Term Loan restricted the repayment of the unsecured note. However, the Company paid the note plus all accrued interest in January 2013 after receiving the required waiver from GB Merchant.

The Company has a Credit and Security Agreement ("Credit Facility") with Wells Fargo Credit, Inc. ("Wells Fargo"), pursuant to which Wells Fargo agreed to advance up to a maximum amount of $50,000,000 to the Company. On December 28, 2011, the Company amended its Credit Facility, pursuant to which Wells Fargo agreed to allow the Company to obtain the term loan from GB Merchant and extend the maturity date of the credit facility to May 31, 2016. The Credit Facility has a floating interest rate of LIBOR plus 4.25% (4.625% at December 30, 2012) and requires monthly interest payments.

The Credit Facility is secured by a first priority, perfected security interest in all of the Company's assets, excluding the real estate, and its present and future subsidiaries and a second priority, perfected security interest in all of the Company's real estate. The security agreements pursuant to which the Company's assets are pledged prohibit any further pledge of such assets without the written consent of the bank.

Both the Term Loan and the Credit Facility contain various restrictive covenants. At December 30, 2012, the Company was not in compliance with some of these covenants. The Company received waivers of such noncompliance from both GB Merchant and Wells Fargo dated March 14, 2013.

The Company has a Line of Credit Agreement ("International LOC") with Banco General, S.A. ("Banco General") in Panama pursuant to which Banco General agreed to advance up to a maximum amount of $3,500,000. The line of credit is secured by a first priority, perfected security interest in the SHE's property and plant. The interest rate is 5.25% plus 1% of the special interest compensation fund ("FECI"). The line of credit contains covenants that, among other things, limit the SHE's ability to incur additional indebtedness, change its business, merge, consolidate or dissolve and sell, lease, exchange or otherwise dispose of its assets, without prior written notice.

At December 30, 2012, the Company had no borrowings and $5,306,000 of outstanding letters of credit issued under its Credit Facility. There was $44,694,000 available under the Company's Credit Facility at December 30, 2012. At December 30, 2012, the Company had no borrowings and $530,000 of outstanding letters of credit issued under its International LOC. There was $2,970,000 available under the Company's International LOC at December 30, 2012.

The Company made interest payments of approximately $4,865,000, and $615,000 for the years ended December 30, 2012 and January 1, 2012, respectively, on its long-term debt and line of credit.

8. Income Taxes

Deferred tax assets and liabilities are composed of the following

	December 30, 2012		January 1, 2012	
	Current	Long-Term	Current	Long-Term
	(in thousands)			
Deferred tax assets:				
Compensation accrual	$ 858	$ -	$ 1,050	$ -
Accrued liabilities	241	-	331	-
Deferred rents payable	-	62	-	67
Stock-based compensation	15	-	21	-
Revenue recognition on contracts in progress	13	-	908	-
Inventory writedown	193	-	146	-
Allowance for doubtful accounts	30	-	17	-
Contribution carryforward	-	105	-	166
Self-insurance	515	-	718	-
Pension	-	674	-	-
Other	162	-	88	-
	2,027	841	3,279	233
Deferred tax liabilities:				
Property, plant and equipment basis difference	-	93	-	95
Accelerated depreciation	-	6,776	-	7,250
Other	-	40	-	31
	-	6,909	-	7,376
Net deferred tax assets (liabilities)	$ 2,027	$ (6,068)	$ 3,279	$ (7,143)

Significant components of the income tax provision are as follows:

	December 30 2012	January 1 2012
	(in thousands)	
Current:		
Federal	$ (405)	$ (2,406)
State	(75)	(299)
Foreign	(190)	(310)
	(670)	(3,015)
Deferred:		
Federal	(244)	1,201
State	68	26
	(176)	1,227
	$ (846)	$ (1,788)

The reconciliation of income tax computed at the U.S. federal statutory rates to the provision for income taxes is as follows:

	Year Ended	
	December 30 2012	January 1 2012
	(in thousands)	
Tax at U.S. federal statutory rates	$ (1,104)	$ 1,120
Goodwill impairment	-	(2,471)
State income taxes, net of federal tax benefit	(7)	(273)
Section 199 manufacturing deduction	82	227
Research & Development Credit	-	24
Effect of rates different than statutory	7	(13)
Other	176	(402)
	$ (846)	$ (1,788)

Total income tax payments for the years ended December 30, 2012 and January 1, 2012, were approximately $2,779,000 and $492,000, respectively. For the years ended December 30, 2012 and January 1, 2012, the Company received tax refunds of approximately $1,424,000 and $1,725,000, respectively.

The Company has not provided for U.S. income taxes or foreign withholding taxes on undistributed earnings of our foreign subsidiaries as they are considered to be reinvested indefinitely. Upon remittance of those earnings in the form of dividends or under other circumstances, the Company would be subject to both U.S. income taxes and withholding taxes payable to various foreign countries less an adjustment for foreign tax credits. It is not practical to estimate the amount of tax liability related to earnings of these foreign subsidiaries.

The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position when, based on the technical merits, it is "more-likely-than-not" that the tax position will be sustained upon examination.

As of December 30, 2012, the Company has unrecognized tax benefits of $2,839,000 that, if recognized, would favorably impact the Company's effective tax rate. The Company does not anticipate a significant change in the total amount of unrecognized tax benefits during the next twelve months.

The Company may, from time to time, be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In the event the Company has received an assessment of interest and/or penalties, the interest has been classified as interest expense while the penalties have been classified as selling, general and administrative expense in the financial statements. As of December 30, 2012 and January 1, 2012, the Company has accrued $157,000 and $207,000, respectively, of interest related to uncertain tax positions.

The Company files U.S., state and foreign income tax returns with varying statutes of limitations. The 2008 through 2012 tax years generally remain subject to examination by the U.S. federal and state tax authorities. The 2010 through 2012 tax years remain subject to examination by the foreign tax authority.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

	Year Ended	
	December 30 2012	January 1 2012
	(in thousands)	
Balance at beginning of year	$ 2,839	$ 2,839
Increases for tax positions taken in prior years	-	-
Decreases for tax positions taken in prior years	-	-
Decrease for tax positions due to lapse of statutes of limitations or close of audit	-	-
Settlements	-	-
Balance at end of year	$ 2,839	$ 2,839

9. Employee Retirement Plans

The Company maintains a 401(k) retirement savings plan which covers eligible employees and permits participants to contribute to the plan, subject to Internal Revenue Code restrictions. The plan also permits the Company to make discretionary matching contributions. The discretionary matching contributions are 100% vested three years from the employee's date of hire. On April 1, 2010, the Company suspended its discretionary matching contribution. The discretionary matching contributions were reinstated on September 1, 2011. Discretionary matching contributions amounted to approximately $825,000 and $230,000 for the years ended December 30, 2012 and January 1, 2012, respectively.

Certain of the Company's fabrication and erection workforce are subject to collective bargaining agreements. The Company contributes to union-sponsored, multi-employer pension plans. Contributions are made in accordance with negotiated labor contracts. The passage of the Multi-Employer Pension Plan Amendments Act of 1980 (the Act) may, under certain circumstances, cause the Company to become subject to liabilities in excess of contributions made under collective bargaining agreements. Generally, liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the plans. Under the Act, liabilities would be based upon the Company's proportionate share of each plan's unfunded vested benefits.

Effective March 31, 2012, the Company withdrew from the Steelworkers Pension Trust and incurred a withdrawal liability of approximately $2,576,000. The Company is required to make quarterly payments of approximately $204,000 through December 1, 2015, with a final payment of approximately $152,000 due on March 1, 2016. Prior to its withdrawal from the Steelworkers Pension Trust, the Company made contributions of $202,000 and $584,000 during the years ended December 30, 2012 and January 1, 2012, respectively.

The Company made contributions to the California Ironworkers Field Pension Trust ("Field Pension") of $5,114,000 and $2,760,000 during the years ended December 30, 2012 and January 1, 2012, respectively. The Company's funding policy is to make monthly contributions to the plan. The Company's employees represent less than 5% of the participants in the Field Pension. As of December 30, 2012, the Company has not undertaken to terminate, withdraw, or partially withdraw from the Field Pension.

The Company has a 401(k) defined contribution retirement savings plan ("Union 401k") for union steelworkers. Contributions made to the Union 401k by union steelworkers are 100% vested immediately.

To replace the Company's funding into the Steelworkers Pension Trust, the Company agreed to make profit share contributions to the Union 401k beginning on April 1, 2012. Union steelworkers are eligible for the profit share contributions after completing a probationary period (640 hours of work) and are 100% vested three years from the date of hire. Union steelworkers are not required to make contributions to the Union 401k to receive the profit share contributions. Profit share contributions are made for each hour worked by each eligible union steelworker at the following rates: $1.45 per hour from April 1, 2012 to May 6, 2012; $0.45 per hour from May 7, 2012 to March 31, 2013; $0.50 per hour from April 1, 2013 to March 31, 2014 and $0.55 per hour from April 1, 2014 and beyond. Profit share contributions amounted to approximately $105,000 for the year ended December 30, 2012.

10. Income (Loss) Per Share

The following table sets forth the computation of basic and diluted income (loss) per share:

	Year Ended December 30 2012	Year Ended January 1 2012
	(in thousands except per share data)	
Numerator:		
Net income (loss)	$ 2,173	$ (5,032)
Denominator for basic income (loss) per share - weighted average shares	4,156	9,688
Effect of dilutive securities:		
Unvested restricted stock grants	4	-
Denominator for diluted income (loss) per share - adjusted weighted average shares and assumed conversions	4,160	9,688
Basic income (loss) per share:	$ 0.52	$ (0.52)
Diluted income (loss) per share:	$ 0.52	$ (0.52)

Unvested restricted stock grants of 73,993 shares were outstanding during 2011 but were not included in the computation of diluted net loss per share because the unvested restricted stock grants would be anti-dilutive due to the net loss.

11. Stock-Based Compensation

A summary of the status of the Company's nonvested shares as of December 30, 2012 and changes during the year ended December 30, 2012, is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 2, 2012	73,993	$ 15.20
Granted	3,000	15.00
Cancelled	(2,000)	15.00
Vested	(42,998)	15.35
Nonvested at December 30, 2012	31,995	$ 15.00

The compensation cost that has been charged against operations for the Grants was $646,000 and $685,000 for 2012 and 2011, respectively. As of December 30, 2012, there was $440,000 of total unrecognized compensation cost related to nonvested Grants. That cost is expected to be recognized over a weighted-average period of less than one year. The total fair value of shares vested during the years ended December 30, 2012 and January 1, 2012, was $419,000 and $294,000, respectively. The compensation cost for share-based payment awards is included in general and administrative expenses on our consolidated statements of operations.

12. Related Party Transactions and Leases

The Company leases a property under terms of an operating lease agreement from a partnership owned by the majority shareholder and his family. The lease expires in 2017 and requires stipulated rent increases every five years based on the Consumer Price Index. The Company is also obligated to pay the partnership any taxes related to the lease payments.

Rent expense under the related party leases totaled approximately $694,000 for both of the years ended
December 30, 2012 and January 1, 2012.

The Company also leases certain property, vehicles, and equipment from nonrelated parties for which it incurred rent expense of approximately $566,000 and $737,000 for the years ended December 30, 2012 and January 1, 2012, respectively.

Future minimum rentals (excluding taxes), by year, and in the aggregate under these noncancelable operating leases are as follows:

	Related Party	Nonrelated Party	Total
		(in thousands)	
2013	$ 720	$ 523	$ 1,243
2014	720	336	1,056
2015	720	301	1,021
2016	720	290	1,010
2017	120	94	214
	$ 3,000	$ 1,544	$ 4,544

13. Commitments and Contingencies

The Company is involved from time to time through the ordinary course of business in certain claims, litigation, and assessments. Due to the nature of the construction industry, the Company's employees from time to time become subject to injury, or even death, while employed by the Company. The Company does not believe there are any such contingencies at December 30, 2012 for which the eventual outcome would have a material adverse impact on the financial position, results of operations or liquidity of the Company, except as recorded in these financial statements.

On February 9, 2009, the Roosevelt Irrigation District ("RID") brought suit in the United States District Court for the District Court of Arizona against Salt River Project Agricultural Improvement and Power District and approximately one-hundred other defendants, including our subsidiary, Schuff Steel Company ("Schuff"). RID operates one-hundred groundwater wells in western Maricopa County and contends that approximately twenty of its wells are contaminated. RID asserts recovery against the defendants under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA" or "Superfund") for the recovery of costs incurred by RID in responding to the defendants' alleged releases or threatened releases of hazardous substances into groundwater that allegedly impact or threaten to impact the groundwater in the West Van Buren area of Phoenix, Arizona. RID has submitted an Early Response Action ("ERA") to the Arizona Department of Environmental Quality ("ADEQ") and has asserted future potential remediation costs in excess of $40,000,000. ADEQ received substantial public comment against the ERA. In July 2010, the ADEQ granted conditional approval to RID's remediation plan with a substantial number of conditions and milestones. Accordingly, RID amended its complaint and Schuff was served with the first amended complaint in late July 2010. Initially, most defendants filed either various motions to dismiss RID's complaint or motions for summary judgment based on certain legal theories but the Court dismissed these motions without prejudice to focus on substantial motions to disqualify counsel for RID based upon various conflicts of interest with RID's chosen counsel. The Court granted certain motions by five defendants to disqualify RID's counsel by order dated August 26, 2011. Currently, the court is attempting to determine and rule upon a method to implement the disqualification order. Until this issue concerning RID's counsel is resolved, legal filings with the court are prohibited. Most defendants have not answered the first amended complaint and it appears that additional Amended Complaints may be forthcoming. In the interim period, the RID has modified their ERA ("MERA") and proposed a reduced scale project which was given conditional approval by ADEQ on February 1, 2013. There are numerous complex legal, technical and practical issues surrounding the MERA as well as this environmental suit, which is at its initial stages. Schuff denies any liability to RID and intends to aggressively defend itself against any allegation that its operations contaminated the groundwater.

On February 5, 2010, Silver Steel, Inc. ("Silver") brought suit in Clark County, Nevada District Court (the "Court") against our subsidiary Schuff Steel Company ("Schuff") and our bonding company. Silver acted as second tier subcontractor to Schuff on the Sobella Retail project ("project"), which was part of the City Center Project in Las Vegas, Nevada. Silver agreed in October, 2007, to a fixed price of approximately $1,483,000 to perform metal deck installation and to perform extra work at agreed upon hourly rates. During the project, Silver submitted over 500 extra work orders ("EWO"), which were then bundled into proposed change orders ("PCO"). Twenty-four executed change orders were issued totaling approximately $3,305,000, for a total adjusted contract of approximately $4,788,000. Schuff has paid the adjusted contract value. Silver completed construction of the base scope of its work in August 2008. It performed extra work on the project into January 2009. Silver never complained during the project about any unpaid extra work or alleged impacts. Thereafter, on February 26, 2009, Silver first gave Schuff notice of a claim in PCO 43, in the amount of $666,000. Schuff arranged for Silver to present its claim to Perini Construction Company ("Perini"), the general contractor, which denied the claim, in part because there was no backup presented by Silver. Schuff claims that it was prejudiced by the late claim, because if it had been put on notice of an impact during the course of the project, it could have taken action to minimize the impact or to pass the claim upstream to Perini or the owner. Silver's initial claims in the litigation were for breach of contract, among other legal theories, against Schuff for allegedly unpaid work and its alleged damages, which had increased to $2,433,000. Schuff has denied any liability. In November 2011, Silver increased its total cost claim for damages to approximately $4,300,000. Schuff continues to dispute that Silver is entitled to any additional amounts and that the damages claims are incorrect and based upon unsupportable facts and assumptions. Trial in this matter occurred between February 7 and 21, 2012, and is now under submission with the Court.

In December 2012, two lawsuits were filed against our subsidiaries that involve fabrication work pertaining to a refinery in Whiting, Indiana ("BP Refinery"), owned by a subsidiary of British Petroleum ("BP"). In December 2012, BP brought suit in the United States District Court for the Northern District of Indiana (the "Indiana suit") against Carboline Company ("Carboline"), Trinity Steel Fabricators, Inc. ("Trinity"), our subsidiary, Schuff Steel Company ("Schuff"), Tecon Services, Inc. ("Tecon") and Alfred Miller Contracting Company ("AMC"), asserting contract and warranty claims as to Schuff, arising out of allegations that fireproofing applied to steel that Schuff and Trinity supplied to a modernization project at the BP Refinery was defectively fireproofed. The steel fabricators, Trinity and a Schuff subsidiary, subcontracted the application of the Pyrocrete® 241 to AMC and/or Tecon. These applicators purchased the Pyrocrete® 241 from the manufacturer, Carboline. BP alleges that the Pyrocrete® 241 is defective and causing damage to BP's property and that the defects are caused by the preparation or application of the Pyrocrete® 241, or by defects in the product itself. BP alleges that it has and will continue to incur substantial damages. BP has not quantified its damages; however, they are believed to be at least in the tens of millions of dollars. Remediation of the fireproofing has commenced but is not expected to be completed for some time, and total alleged damages will remain uncertain until that work is completed.

Also in December 2012, AMC and Tecon filed a Petition for Damages and Declaratory Judgment in the State Court of Louisiana (14th Judicial District Court, Parish of Calcasieu) (the "Louisiana suit"), against Carboline, BP Corporation North America Inc., BP Products North America, Inc. (collectively referred to as "BP entities"), Foster Wheeler USA Corporation, Fluor Enterprises, Inc., Trinity, our subsidiaries, Schuff and Schuff Steel – Gulf Coast, Inc. ("Gulf Coast"), Dynamic Industries, Inc. ("DII") and Land Coast Insulation, Inc. ("Landcoast"). AMC and Tecon allege, among other claims, that the Carboline Pyrocrete® 241 on the BP Refinery project was defective and that Carboline breached warranties relating to it and made negligent and fraudulent misstatements concerning that product. AMC and Tecon also seek a court determination of the rights and responsibilities of the parties involved in the procurement, application, inspection, assembly and/or fabrication of the structural steel that had Pyrocrete® 241 applied to it.

The Schuff entities have filed answers and cross-claims in both lawsuits denying liability to BP and seeking indemnification and recovery on warranty from AMC and Tecon to the extent of any improper application and from Carboline to the extent any defect in the Pyrocrete® 241 when it was applied. Numerous complex procedural and substantive legal and factual issues have yet to be resolved. Formal discovery has just commenced. Schuff and Gulf Coast intend to aggressively defend themselves in this matter.

The Company is self-insured for its employees' workers' compensation claims. Under provisions of the policies, the Company has purchased stop/loss insurance to mitigate its risks against catastrophic injury-related events. The stop/loss amount for workers' compensation is $350,000 per employee per accident. At December 30, 2012 and January 1, 2012, the Company had an accrual of approximately $2,426,000 and $2,581,000, respectively, for workers' compensation claims incurred but not paid or reported and for future claims from injuries existing at year-end (see Note 6).

The Company is self-insured for its employees' medical and dental insurance claims. Under provisions of the policies, the Company has purchased stop/loss insurance to mitigate its risks against catastrophic medical events. The stop/loss amount for medical insurance claims is $300,000 per claimant and 110% of expected claims for each plan year. At December 30, 2012 and January 1, 2012, the Company had an accrual of approximately $1,997,000 and $2,160,000, respectively, for medical and dental insurance claims incurred but not paid or reported and for our terminal liability with our insurance service provider.

The Company has approximately $28,181,000 of performance bonds issued on its behalf as of December 30, 2012. The performance bonds were required by various general contractors to guarantee the Company's performance on projects.

14. Significant Customers

During 2012 and 2011, the Company had revenues from certain customers that were in excess of 10 percent of the respective year's revenues as follows:

	Year Ended	
	December 30 2012	**January 1 2012**
Customer A	11%	n/a
Customer B	10%	n/a
Customer C	n/a	11%

In addition, receivables from these customers represented the following percentages of total receivables at December 30, 2012 and January 1, 2012:

	December 30 2012	**January 1 2012**
Customer A	7%	n/a
Customer B	0%	n/a
Customer C	n/a	3%

During the years ended December 30, 2012 and January 1, 2012, the Company's revenues included approximately $29,885,000 and $13,317,000, respectively, relating to projects carried out internationally for which there was approximately $6,511,000 and $2,965,000 in accounts receivables at December 30, 2012 and January 1, 2012, respectively.

15. Quarterly Results of Operations (Unaudited)

A summary of the quarterly results of operations for the years ended December 30, 2012 and January 1, 2012 follows:

	2012			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(in thousands, except per share data)			
Revenues	$ 136,018	$ 111,001	$ 107,755	$ 92,273
Gross profit	11,960	10,968	12,283	10,881
Net income	508	813	568	284
Income per share:				
Basic	$ 0.12	$ 0.20	$ 0.14	$ 0.07
Diluted	$ 0.12	$ 0.20	$ 0.14	$ 0.07
Weighted average number of shares outstanding:				
Basic	4,159	4,158	4,150	4,155
Diluted	4,159	4,162	4,158	4,167

	2011			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(in thousands, except per share data)			
Revenues	$ 70,738	$ 89,782	$ 102,104	$ 129,537
Gross profit	9,501	8,280	11,086	14,151
Net income (loss)	258	(463)	733	(5,560)
Income (loss) per share:				
Basic	$ 0.03	$ (0.05)	$ 0.08	$ (0.59)
Diluted	$ 0.03	$ (0.05)	$ 0.08	$ (0.59)
Weighted average number of shares outstanding:				
Basic	9,757	9,757	9,757	9,482
Diluted	9,758	9,760	9,766	9,483

The 2012 and 2011 quarterly results for basic and diluted income (loss) per share, when totaled, may not equal the basic and diluted income (loss) per share for the years ended December 30, 2012 and January 1, 2012. These variances are due to rounding.

16. Backlog

The Company's backlog was $194,967,000 ($176,028,000 under contracts or purchase orders and $18,939,000 under letters of intent) and $258,831,000 ($198,150,000 under contracts or purchase orders and $60,681,000 under letters of intent) at December 30, 2012 and at January 1, 2012, respectively. The Company's backlog increases as contract commitments, letters of intent, notices to proceed and purchase orders are obtained, decreases as revenues are recognized and increases or decreases to reflect modifications in the work to be performed under the contracts, notices to proceed, letters of intent or purchase orders. The Company's backlog can be significantly affected by the receipt, or loss, of individual contracts. Approximately $59,294,000, representing 30.4% of the Company's backlog at December 30, 2012, was attributable to five contracts, letters of intent, notices to proceed or purchase orders. If one or more large contracts are terminated or their scope reduced, the Company's backlog could decrease substantially.

17. Subsequent Events

The entity has evaluated subsequent events through March 20, 2013, which is the date the consolidated financial statements were available to be issued. No subsequent events requiring disclosure were identified.

SCHUFF INTERNATIONAL, INC.
AND SUBSIDIARIES

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 29, 2013

GrantThornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors and Stockholders
Schuff International, Inc.

We have audited the accompanying consolidated financial statements of Schuff International, Inc. and subsidiaries, which comprise the consolidated balance sheets as of December 29, 2013 and December 30, 2012, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Schuff International, Inc. and subsidiaries as of December 29, 2013 and December 30, 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON

Phoenix, Arizona
March 6, 2014

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	December 29 2013	December 30 2012
Assets	*(in thousands, except for share data)*	
Current assets		
Cash and cash equivalents	$ 1,066	$ 8,804
Receivables (Notes 2 and 14)	106,620	93,102
Income tax receivable (Note 8)	228	-
Costs and recognized earnings in excess of billings on uncompleted contracts (Note 2)	20,831	12,140
Inventories (Note 3)	11,557	11,438
Deferred tax asset (Note 8)	1,707	1,889
Prepaid expenses and other current assets	1,402	1,453
Assets of discontinued operations (Note 16)	1,471	13,590
Total current assets	144,882	142,416
Property, plant and equipment, net (Note 4)	70,238	67,931
Goodwill	10,054	10,054
Other assets	4,102	5,857
Assets of discontinued operations (Note 16)	311	3,515
	$ 229,587	$ 229,773
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable (Note 5)	$ 49,901	$ 37,928
Accrued payroll and employee benefits	7,398	7,849
Accrued interest	90	556
Other current liabilities (Note 6)	4,907	4,363
Billings in excess of costs and recognized earnings on uncompleted contracts (Note 2)	38,584	39,563
Income tax payable (Note 8)	-	3,707
Current portion of long-term debt (Note 7)	2,663	4,910
Liabilities related to discontinued operations (Note 16)	1,396	3,816
Total current liabilities	104,939	102,692
Long-term debt (Note 7)	9,166	23,500
Deferred tax liability (Note 8)	6,517	6,133
Other liabilities	656	1,718
Liabilities related to discontinued operations (Note 16)	27	-
	16,366	31,351
Commitments and Contingencies (Notes 7, 9, 11, 12 and 13)		
Schuff International stockholders' equity (Note 10)		
Preferred stock, $.001 par value – authorized 1,000,000 shares, none issued	-	-
Common stock, $.001 par value – 20,000,000 shares authorized, 10,038,707 shares issued in both 2013 and 2012, and 4,202,933 and 4,179,796 shares outstanding in 2013 and 2012, respectively	10	10
Additional paid-in capital	49,224	49,152
Retained earnings	131,687	119,360
Treasury stock - 5,835,774 and 5,858,911 shares, in 2013 and 2012, respectively, at cost	(76,946)	(77,187)
Total Schuff International stockholders' equity	103,975	91,335
Non-controlling interest	4,307	4,395
Total stockholders' equity	108,282	95,730
	$ 229,587	$ 229,773

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended	
	December 29 2013	December 30 2012
	(in thousands, except per share data)	
Revenues (Note 14)	$ 416,142	$ 427,190
Cost of revenues	355,951	382,508
Gross profit	60,191	44,682
General and administrative expenses (Note 11)	40,555	34,411
Operating income	19,636	10,271
Interest expense	(3,669)	(5,804)
Other (expense) income	(697)	828
Income before income tax provision	15,270	5,295
Income tax provision (Note 8)	(2,650)	(1,660)
Income before non-controlling interest	12,620	3,635
Non-controlling interest	88	(136)
Income from continuing operations	12,708	3,499
Discontinued operations (Note 16)		
Loss from discontinued operations, net of tax	(547)	(1,326)
Gain on sale of discontinued operations, net of tax	166	-
Loss from discontinued operations	(381)	(1,326)
Net income	$ 12,327	$ 2,173
Income from continuing operations per common share: (Note 10)		
Basic	$ 3.04	$ 0.84
Diluted	$ 3.03	$ 0.84
Loss from discontinued operations per common share: (Note 10)		
Basic	$ (0.09)	$ (0.32)
Diluted	$ (0.09)	$ (0.32)
Income per common share: (Note 10)		
Basic	$ 2.95	$ 0.52
Diluted	$ 2.94	$ 0.52
Weighted average shares used in computation: (Note 10)		
Basic	4,182	4,156
Diluted	4,200	4,160

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Non-controlling Interest	Total
			(in thousands)				
Balance at January 2, 2012	4,147 $	10 $	49,249 $	117,187 $	(77,706)$	4,259 $	92,999
Net income	-	-	-	2,173	-	-	2,173
Non-controlling interest income	-	-	-	-	-	136	136
Tax effect of stock-based compensation	-	-	(92)	-	-	-	(92)
Purchase of treasury stock	(30)	-	-	-	(312)	-	(312)
Issuance of treasury stock-director grants	20	-	(84)	-	264	-	180
Issuance of treasury stock-restricted stock grant	43	-	(567)	-	567	-	-
Compensation expense-restricted stock grant	-	-	646	-	-	-	646
Balance at December 30, 2012	4,180	10	49,152	119,360	(77,187)	4,395	95,730
Net income	-	-	-	12,327	-	-	12,327
Non-controlling interest income	-	-	-	-	-	(88)	(88)
Tax effect of stock-based compensation	-	-	57	-	-	-	57
Purchase of treasury stock	(10)	-	-	-	(198)	-	(198)
Issuance of treasury stock-director grants	2	-	(2)	-	26	-	24
Issuance of treasury stock-restricted stock grant	31	-	(413)	-	413	-	-
Compensation expense-restricted stock grant	-	-	430	-	-	-	430
Balance at December 29, 2013	4,203 $	10 $	49,224 $	131,687 $	(76,946)$	4,307 $	108,282

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	
	December 29 2013	December 30 2012
Operating Activities	(in thousands)	
Income from continuing operations	$ 12,708	$ 3,499
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Net (decrease) increase in allowance for doubtful accounts	(42)	14
Depreciation and amortization	8,252	8,225
Loss from extinguishment of debt	1,426	-
Loss (gain) on disposals of property plant and equipment	28	(436)
Deferred income taxes	566	253
Non-controlling interest income	(88)	136
Excess tax benefit of restricted stock awards	(57)	92
Stock awards	24	180
Compensation expense - restricted stock grant	430	646
Changes in working capital components:		
Receivables	(13,476)	9,186
Costs and recognized earnings in excess of billings on uncompleted contracts	(8,691)	15,474
Inventories	(119)	3,176
Prepaid expenses and other current assets	51	(31)
Accounts payable	11,973	(18,196)
Accrued payroll and employee benefits	(451)	(4,193)
Accrued interest	(466)	483
Other current liabilities	544	271
Billings in excess of costs and recognized earnings on uncompleted contracts	(979)	15,228
Income taxes payable/receivable	(3,878)	(53)
Other liabilities	(1,062)	1,548
Net cash provided by operating activities	6,693	35,502
Investing activities		
Acquisitions of property, plant and equipment	(9,989)	(3,977)
Proceeds from disposals of property, plant and equipment	2	736
Decrease (increase) in other assets	67	(388)
Net cash used in investing activities	(9,920)	(3,629)
Financing activities		
Proceeds from long-term debt	10,000	-
Net borrowings (payments) on revolving line of credit	1,996	(24,413)
Principal payments on long-term debt	(28,577)	(3,000)
Payment of debt issuance costs	(340)	(259)
Purchase of treasury stock	(198)	(312)
Excess tax benefit of restricted stock awards	57	(92)
Net cash used in financing activities	(17,062)	(28,076)
Discontinued operations		
Net cash provided by (used in) operating activities	9,412	(2,917)
Net cash provided by financing activities	3,139	292
Net cash provided by (used in) discontinued operations	12,551	(2,625)
(Decrease) increase in cash and cash equivalents	(7,738)	1,172
Cash and cash equivalents at beginning of year	8,804	7,632
Cash and cash equivalents at end of year	$ 1,066	$ 8,804

See notes to consolidated financial statements.

SCHUFF INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 29, 2013 and December 30, 2012

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Schuff International, Inc. and its wholly-owned subsidiaries ("Schuff" or the "Company") are primarily steel fabrication and erection contractors with headquarters in Phoenix, Arizona and operations in Arizona, Florida, Georgia, Texas, Kansas and California. The Company's construction projects are primarily in the aforementioned states. In addition, the Company has construction projects in select international markets, primarily Panama. Its wholly-owned subsidiaries are Schuff Steel Company, Schuff Steel – Atlantic, L.L.C., Quincy Joist Company, Schuff Steel – Gulf Coast, Inc., On-Time Steel Management Holding, Inc., Schuff Steel Management Company – Southwest, Inc., Schuff Steel Company – Panama, S de RL, Schuff Premier Services, L.L.C., Schuff Steel Management Company – Colorado, L.L.C. (dormant) and Schuff Steel Management Company – Southeast, L.L.C. (dormant).

The Company has a 49% interest in Schuff Hopsa Engineering, Inc. ("SHE"), a Panamanian joint venture with Empresas Hopsa, S.A., that provides steel fabrication services. The Company controls the operations of SHE, as provided in the operating agreement. Therefore, the assets, liabilities, revenues and expenses of SHE are included in the consolidated financial statements of the Company. Empresas Hopsa, S.A.'s 51% interest in SHE is presented as a non-controlling interest component of total equity.

Fiscal Year

The Company uses a 4-4-5 week quarterly cycle ending on the Sunday closest to December 31. Fiscal 2013 covered the period from December 31, 2013 to December 29, 2013 (hereinafter 2013). Fiscal 2012 covered the period from January 2, 2012 to December 30, 2012 (hereinafter 2012).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Schuff International, Inc. and all wholly-owned subsidiaries. The consolidated financial statements also include the assets, liabilities, revenues and expenses of its controlled subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

In accordance with accounting principles generally accepted in the United States, references in this report to the Company's earnings per share, net income and stockholders' equity attributable to its common shareholders do not include amounts attributable to non-controlling interests.

Operating Cycle

Balance sheet items expected to be paid or received within one year are classified as current. Assets and liabilities relating to long-term construction contracts are included in current assets and current liabilities in the accompanying consolidated balance sheets, since they will be realized or liquidated in the normal course of contract completion, although completion may require more than one year.

Cash and cash equivalents

Cash consists of cash in interest bearing checking accounts. The Company considers all highly liquid investments purchased with original maturities of three months or less from the date of purchase to be cash equivalents.

Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a specific reserve for questionable accounts. In accordance with industry practice, receivables include retainage, a portion of which may not be realized within one year. Management determines the allowance for doubtful accounts using historical experience and by evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Receivables are written off when deemed uncollectible and recoveries of amounts previously written off are recorded in income when received. The Company does not routinely charge interest on past due amounts unless it must pursue formal collection or legal actions.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and receivables. The Company maintains cash and cash equivalents and certain other financial instruments with a large financial institution. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. During the year, the Company maintained cash in United States financial institutions in excess of FDIC limits. At year end, there was $1,115,000 being held in United States banks, of which $698,000 was in excess of the FDIC limits. During the year, the Company also maintained cash in financial institutions outside of the United States. At year end, there was $1,081,000 (denominated in U.S. dollars) being held in banks outside of the United States, none of which is covered by the FDIC. Concentrations of credit risk with respect to receivables are limited as the Company's customers tend to be larger general contractors on adequately funded projects and the Company has certain lien rights.

Inventories

Inventories, primarily steel components, are stated at the lower of cost or market under the first-in, first- out method.

Long-Lived Assets with Definite Lives

The Company continually evaluates whether events and circumstances have occurred that indicate potential impairment of long-lived assets, indicating the remaining balance of these assets may not be recoverable. When factors indicate that these assets should be evaluated for possible impairment, the Company's management uses several factors to measure impairment, including the Company's projection of future operating cash flows relating to these assets. No impairment losses were recorded in 2013 and 2012.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is determined on a straight-line basis over the estimated useful lives ranging from 5 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment. Leasehold improvements are amortized over the lives of the leases or estimated useful lives of the assets, whichever is shorter. When assets are sold or otherwise retired, the cost and accumulated depreciation are removed from the books and the resulting gain or loss is included in operating results. The Company periodically evaluates the carrying value of its property, plant, and equipment based upon the estimated cash flows to be generated by the related assets. If impairment is indicated, a loss is recognized. No impairment losses were recorded in 2013 and 2012.

Investments

Investments in non-wholly-owned companies are generally consolidated or accounted for under the equity method of accounting when the Company has a 20% to 50% ownership interest or exercises significant influence over the venture. If the Company's interest exceeds 50% or, if the Company has the power to direct the economic activities of the entity and the obligation to absorb losses, the results of the non-wholly-owned company are consolidated herein. All other investments are generally accounted for under the cost method.

Deferred Financing Costs

The Company capitalizes certain expenses incurred in connection with its long-term debt and line of credit obligations and amortizes them over the term of the respective debt agreement. The amortization expense of the deferred financing costs is included in interest expense on the consolidated statements of operations. If the Company redeems portions of its long-term debt prior to the maturity date, deferred financing costs are charged to expense on a pro rata basis.

Goodwill

Goodwill is not amortized. It is tested annually for impairment (and in interim periods if events or circumstances indicate that the related carrying amount may be impaired).

Goodwill is tested for impairment using a two-step process. The first step of the goodwill impairment test, which is used to identify potential impairment, compares the estimated fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its estimated fair value, the second step of the goodwill impairment test must be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

Goodwill recorded was $10,054,000 at both December 29, 2013 and December 30, 2012. The Company performed its 2013 annual impairment assessment in December 2013 and concluded that no impairment was indicated. There were no changes in the carrying amount of goodwill for the years ended December 29, 2013 and December 30, 2012.

Revenue and Cost Recognition

The Company performs its services primarily under fixed-price contracts and recognizes revenues and costs from construction projects using the percentage of completion method. Under this method, revenue is recognized based upon either the ratio of the costs incurred to date to the total estimated costs to complete the project or the ratio of tons fabricated to date to total estimated tons.

Revenue recognition begins when work has commenced. Costs include all direct material and labor costs related to contract performance, subcontractor costs, indirect labor, and fabrication plant overhead costs, which are charged to contract costs as incurred. Revenues relating to changes in the scope of a contract are recognized when the work has commenced, the Company has made an estimate of the amount that is probable of being paid for the change and there is a high degree of probability that the charges will be approved by the customer or general contractor. At December 29, 2013 and December 30, 2012, the Company had $26,406,000 and $9,910,000, respectively, of unapproved change orders on open projects, for which it has recognized revenues on a percent complete basis in each fiscal year. While the Company has been successful in having the majority of its change orders approved in prior years, there is no guarantee that the majority of unapproved change orders at December 29, 2013 will be approved. Revisions in estimates during the course of contract work are reflected in the accounting period in which the facts requiring the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period a loss on a contract becomes determinable.

Construction contracts with customers generally provide that billings are to be made monthly in amounts which are commensurate with the extent of performance under the contracts. Contract receivables arise principally from the balance of amounts due on progress billings on jobs under construction. Retentions on contract receivables are amounts due on progress billings, which are withheld until the completed project has been accepted by the customer.

Costs and recognized earnings in excess of billings on uncompleted contracts primarily represent revenue earned under the percentage of completion method which has not been billed. Billings in excess of related costs and recognized earnings on uncompleted contracts represent amounts billed on contracts in excess of the revenue allowed to be recognized under the percentage of completion method on those contracts.

Income Per Common Share

Basic income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year before giving effect to stock options and unvested restricted stock grants. Diluted income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year after giving effect to stock options and unvested restricted stock grants.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are recognized, net of any valuation allowance, for deductible temporary differences and net operating loss and tax credit carry forwards. The Company regularly evaluates the realizeability of its deferred tax assets by assessing its forecasts of future taxable income and reviewing available tax planning strategies that could be implemented to realize the deferred tax assets. Based on this evaluation, it was determined that realization of the deferred tax assets is more likely than not.

Stock-Based Compensation

The Company recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. Fair value of the restricted stock units awarded is based on the current traded price of the Company's stock. Restricted stock grants

("Grants") vest over three or five years. The Grants provide for accelerated vesting if there is a change in control (as defined in the agreements).

Self-insurance

The Company is self-insured for its medical and dental insurance and its employees' workers' compensation claims (up to certain stop-loss limits). An estimate for medical and dental insurance and workers' compensation claims is charged to income for claims incurred but not paid, claims incurred but not reported and for future claims from injuries existing at year-end.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term maturity of these instruments. The carrying amounts of long term accounts receivable approximate fair value based on the collection analysis performed and recording of necessary reserves. The fair values of the Company's long term borrowings are estimated based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. Such values approximate the carrying value of the borrowings as of fiscal year end.

Derivative Financial Instruments

Any derivative financial instruments are recognized as either assets or liabilities at their fair value in the balance sheet with the changes in the fair value reported in current-period earnings.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company routinely evaluates its estimates, including those related to the extent of progress towards completion, contract revenues and contract costs on long-term contracts, bad debts, income taxes, impairment of long-lived assets, including goodwill, inventories, environmental matters and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Recently Issued Accounting Standards

In 2013, the Financial Accounting Standards Board ("FASB") issued new accounting guidance clarifying the accounting for the release of a cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The new standard is effective for fiscal years beginning on or after December 15, 2013. The Company does not anticipate that this adoption will have a significant impact on its financial position, results of operations, or cash flows.

In 2013, the FASB issued new accounting guidance clarifying the accounting for obligations resulting from joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date. The new standard is effective for fiscal years, beginning on or after December 15, 2013. The Company does not anticipate that this adoption will have a significant impact on its financial position, results of operations, or cash flows.

In 2013, the FASB issued a new accounting standard that will require the presentation of certain unrecognized tax benefits as reductions to deferred tax assets rather than as liabilities in the Consolidated Balance Sheets when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new standard requires adoption on a prospective basis in the first quarter of 2015; however, early adoption is permitted. The Company does not anticipate that this adoption will have a significant impact on its financial position, results of operations, or cash flows.

2. Receivables and Contracts in Progress

Receivables consist of the following:

		December 29 2013	December 30 2012
		(in thousands)	
Contract receivables:			
Contracts in progress	$	72,960 $	65,267
Unbilled retentions		33,409	26,743
Allowance for doubtful accounts		(17)	(59)
		106,352	91,951
Other receivables		268	1,151
	$	106,620 $	93,102

Substantially all of the Company's receivables are due from general contractors operating in Arizona, California, Colorado, Florida, Georgia, Nevada, Texas and Panama.

Costs and recognized earnings in excess of billings on uncompleted contracts and billings in excess of costs and recognized earnings on uncompleted contracts consist of the following:

		December 29 2013	December 30 2012
		(in thousands)	
Costs incurred on contracts in progress	$	510,903 $	525,226
Estimated earnings		60,996	57,228
		571,899	582,454
Less progress billings		589,652	609,877
	$	(17,753) $	(27,423)
The above is included in the accompanying consolidated balance sheets under the following captions:			
Costs and recognized earnings in excess of billings on uncompleted contracts	$	20,831 $	12,140
Billings in excess of costs and recognized earnings on uncompleted contracts		(38,584)	(39,563)
	$	(17,753) $	(27,423)

3. Inventories

Inventories consist of the following:

	December 29 2013	December 30 2012
	(in thousands)	
Raw materials	$ 11,212	$ 10,930
Work in process	157	328
Finished goods	188	180
	$ 11,557	$ 11,438

4. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 29 2013	December 30 2012
	(in thousands)	
Land	$ 21,555	$ 21,397
Buildings	24,548	24,548
Building and leasehold improvements	9,264	8,759
Machinery and equipment	55,623	53,088
Transportation equipment	7,787	3,494
Detailing equipment	141	219
Furniture and fixtures	2,025	2,328
EDP equipment	10,612	11,195
Construction in progress	3,464	2,495
	135,019	127,523
Less accumulated depreciation and amortization	64,781	59,592
	$ 70,238	$ 67,931

Depreciation expense was $7,650,000 and $7,444,000 for the years ended December 29, 2013 and December 30, 2012, respectively.

5. Accounts Payable

Accounts payable consists of the following at:

	December 29 2013	December 30 2012
	(in thousands)	
Accounts payable	$ 44,526	$ 31,470
Retentions payable	5,375	6,458
	$ 49,901	$ 37,928

6. Other Current Liabilities

Other current liabilities consist of the following:

		December 29 2013	December 30 2012
		(in thousands)	
Sales, use and property taxes	$	978 $	811
Workers' compensation		2,409	2,403
Other		1,520	1,149
	$	4,907 $	4,363

7. Long-Term Debt and Line of Credit

Long-term debt consists of the following:

		December 29 2013	December 30 2012
		(in thousands)	
Note payable collateralized by the Company's real estate, with interest payable monthly at the greater of LIBOR or 1% plus 6% and principal payable quarterly over a 4.75 year period and one final balloon payment of $7,165,250, maturing in 2018	$	9,833 $	-
Note payable collateralized by the Company's real estate, with interest payable monthly at the greater of LIBOR or 3% plus 11% and principal payable quarterly over a 3.75 year period and one final balloon payment of $15,250,000, paid in 2013		-	27,000
Note payable to a bank under a revolving line of credit agreement, collateralized by the Company's assets, with interest payable monthly at the LIBOR plus 4%, maturing in 2018		1,996	-
Note payable to an international bank under a revolving line of credit agreement, collateralized by the Company's property and plant, with interest payable monthly at 5.25% plus 1% of the special interest compensation fund ("FECI"), renewing annually		-	-
Unsecured note payable to majority shareholder, with 13% interest payable annual in kind through an increase in the principal amount of the note, paid in 2013		-	1,410
		11,829	28,410
Less current portion		2,663	4,910
	$	9,166 $	23,500

Aggregate debt maturities are as follows (in thousands):

2014		2,663
2015		667
2016		667
2017		667
2018		7,165
	$	11,829

The Company has a Credit and Security Agreement ("Credit Facility") with Wells Fargo Credit, Inc. ("Wells Fargo"), pursuant to which Wells Fargo agreed to advance up to a maximum amount of $50,000,000 to the Company. On August 14, 2013, the Company amended its Credit Facility, pursuant to which Wells Fargo extended the maturity date of the Credit Facility to June 30, 2018, lowered the interest rate charged in connection with borrowings under the line of credit and allowed for the issuance of a note payable totaling $10,000,000, collateralized by its real estate ("Real Estate Term Loan"). The Real Estate Term Loan has a 4.75 year amortization period requiring quarterly principal payments and a final balloon payment at maturity. The Real Estate Term Loan has a floating interest rate of the greater of LIBOR or 1.0% plus 6.0% and requires monthly interest payments. The proceeds of the Real Estate Term Loan, in conjunction with cash generated from operations, proceeds from the sale of Quincy Joist Company assets and borrowings under the Credit Facility, were used to pay the remaining balance of the term loan with GB Merchant Partners, LLC ("GB Loan").

In connection with paying the remaining balance of the GB Loan during the year ended December 29, 2013, the Company incurred prepayment penalties of approximately $540,000 (included in interest expense in consolidated statements of operations) and wrote-off debt issue costs of approximately $1,425,000 (included in other expense in the consolidated statements of operations).

The Credit Facility has a floating interest rate of LIBOR plus 4.00% (4.25% at December 29, 2013) and requires monthly interest payments.

The Credit Facility is secured by a first priority, perfected security interest in all of the Company's assets, excluding the real estate, and its present and future subsidiaries and a second priority, perfected security interest in all of the Company's real estate. The security agreements pursuant to which the Company's assets are pledged prohibit any further pledge of such assets without the written consent of the bank.

The Credit Facility contains various restrictive covenants. At December 29, 2013, the Company was in compliance with these covenants.

The Company has a Line of Credit Agreement ("International LOC") with Banco General, S.A. ("Banco General") in Panama pursuant to which Banco General agreed to advance up to a maximum amount of $3,500,000. The line of credit is secured by a first priority, perfected security interest in the SHE's property and plant. The interest rate is 5.25% plus 1% of the special interest compensation fund ("FECI"). The line of credit contains covenants that, among other things, limit the SHE's ability to incur additional indebtedness, change its business, merge, consolidate or dissolve and sell, lease, exchange or otherwise dispose of its assets, without prior written notice.

At December 29, 2013, the Company had $1,996,000 of borrowings and $3,902,000 of outstanding letters of credit issued under its Credit Facility. There was $44,102,000 available under the Company's Credit Facility at December 29, 2013. At December 29, 2013, the Company had no borrowings and no outstanding letters of credit issued under its International LOC. There was $3,500,000 available under the Company's International LOC at December 29, 2013.

The Company made interest payments of approximately $3,813,000, and $4,865,000 for the years ended December 29, 2013 and December 30, 2012, respectively, on its long-term debt and line of credit.

8. Income Taxes

Deferred tax assets and liabilities are composed of the following

	December 29, 2013		December 30, 2012	
	Current	Long-Term	Current	Long-Term
	(in thousands)			
Deferred tax assets:				
Compensation accrual	$ 768	$ -	$ 795	$ -
Accrued liabilities	226	-	207	-
Deferred rents payable	-	27	-	62
Stock-based compensation	-	-	15	-
Revenue recognition on contracts in progress	-	-	13	-
Inventory writedown	191	-	169	-
Allowance for doubtful accounts	6	-	15	-
Contribution carryforward	-	-	-	105
Self-insurance	636	-	515	-
Pension	-	284	-	674
Other	76	-	160	-
	1,903	311	1,889	841
Deferred tax liabilities:				
Property, plant and equipment basis difference	-	93	-	93
Accelerated depreciation	-	6,688	-	6,841
Revenue recognition on contracts in progress	196	-	-	-
Other	-	47	-	40
	196	6,828	-	6,974
let deferred tax assets (liabilities)	$ 1,707	$ (6,517)	$ 1,889	$ (6,133)

The provision for income taxes from continuing operations consists of the following:

	December 29 2013	December 30 2012
	(in thousands)	
Current:		
Federal	$ (1,734)	$ (1,078)
State	(207)	(138)
Foreign	(143)	(190)
	(2,084)	(1,406)
Deferred:		
Federal	(542)	(318)
State	(24)	64
	(566)	(254)
	$ (2,650)	$ (1,660)

A summary of total income tax (expense) benefit, by classification, included in the accompanying consolidated statements of operations is as follows:

		December 29 2013	December 30 2012
		(in thousands)	
Continuing operations	$	(2,650)$	(1,660)
Discontinued operations		232	814
Total income tax (expense) benefit		(2,418)	(846)

The reconciliation of income tax computed at the U.S. federal statutory rates to the provision for income taxes is as follows:

		Year Ended	
		December 29 2013	December 30 2012
		(in thousands)	
Tax at U.S. federal statutory rates	$	(5,345)$	(1,853)
State income taxes, net of federal tax benefit		(445)	(74)
Section 199 manufacturing deduction		457	82
Uncertain tax position reserve release		2,839	-
Effect of rates different than statutory		(140)	7
Other		(16)	178
	$	(2,650)$	(1,660)

Total income tax payments for the years ended December 29, 2013 and December 30, 2012, were approximately $4,845,000 and $2,779,000, respectively. For the years ended December 29, 2013 and December 30, 2012, the Company received tax refunds of approximately $7,000 and $1,424,000, respectively.

The Company has not provided for U.S. income taxes or foreign withholding taxes on undistributed earnings of its foreign subsidiaries as they are considered to be reinvested indefinitely. Upon remittance of those earnings in the form of dividends or under other circumstances, the Company would be subject to both U.S. income taxes and withholding taxes payable to various foreign countries less an adjustment for foreign tax credits. It is not practical to estimate the amount of tax liability related to earnings of these foreign subsidiaries.

The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position when, based on the technical merits, it is "more-likely-than-not" that the tax position will be sustained upon examination.

As of December 29, 2013, the Company had no unrecognized tax benefits. The Company does not anticipate a significant change in the total amount of unrecognized tax benefits during the next twelve months.

The Company may, from time to time, be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In the event the Company has received an assessment of interest and/or penalties, the interest has been classified as interest expense while the penalties have been classified as selling, general and administrative expense in the financial statements. As of December 29, 2013, the Company had no accrual of interest related to uncertain tax positions. As of December 30, 2012, the Company had accrued $157,000 of interest related to uncertain tax positions.

The Company files U.S., state and foreign income tax returns with varying statutes of limitations. The 2008 through 2013 tax years generally remain subject to examination by the U.S. federal and state tax authorities. The 2011 through 2013 tax years remain subject to examination by the foreign tax authority.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

	Year Ended	
	December 29 2013	December 30 2012
	(in thousands)	
Balance at beginning of year	$ 2,839	$ 2,839
Increases for tax positions taken in prior years	-	-
Decreases for tax positions taken in prior years	-	-
Decrease for tax positions due to lapse of statutes of limitations or close of audit	(2,839)	-
Settlements	-	-
Balance at end of year	$ -	$ 2,839

9. Employee Retirement Plans

The Company maintains a 401(k) retirement savings plan which covers eligible employees and permits participants to contribute to the plan, subject to Internal Revenue Code restrictions. The plan also permits the Company to make discretionary matching contributions. The discretionary matching contributions are 100% vested three years from the employee's date of hire. Discretionary matching contributions amounted to approximately $894,000 and $825,000 for the years ended December 29, 2013 and December 30, 2012, respectively.

Certain of the Company's fabrication and erection workforce are subject to collective bargaining agreements. The Company contributes to union-sponsored, multi-employer pension plans. Contributions are made in accordance with negotiated labor contracts. The passage of the Multi-Employer Pension Plan Amendments Act of 1980 (the Act) may, under certain circumstances, cause the Company to become subject to liabilities in excess of contributions made under collective bargaining agreements. Generally, liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the plans. Under the Act, liabilities would be based upon the Company's proportionate share of each plan's unfunded vested benefits.

Effective March 31, 2012, the Company withdrew from the Steelworkers Pension Trust and incurred an initial withdrawal liability of approximately $2,576,000. During 2013, the Company negotiated with the Steelworkers Pension Trust and reduced the liability to approximately $2,378,000. The Company is required to make quarterly payments of approximately $195,000 through September 1, 2015. The remaining balance of the withdrawal liability at December 29, 2013 was approximately $1,358,000, and is included in Other Liabilities (current and long-term) in the consolidated balance sheets. Prior to its withdrawal from the Steelworkers Pension Trust, the Company made contributions of $183,000 during the year ended December 30, 2012.

The Company made contributions to the California Ironworkers Field Pension Trust ("Field Pension") of $3,153,000 and $5,114,000 during the years ended December 29, 2013 and December 30, 2012, respectively. The Company's funding policy is to make monthly contributions to the plan. The Company's employees represent less than 5% of the participants in the Field Pension. As of December 29, 2013, the Company has not undertaken to terminate, withdraw, or partially withdraw from the Field Pension.

The Company has a 401(k) defined contribution retirement savings plan ("Union 401k") for union steelworkers. Contributions made to the Union 401k by union steelworkers are 100% vested immediately.

To replace the Company's funding into the Steelworkers Pension Trust, the Company agreed to make profit share contributions to the Union 401k beginning on April 1, 2012. Union steelworkers are eligible for the profit share contributions after completing a probationary period (640 hours of work) and are 100% vested three years from the date of hire. Union steelworkers are not required to make contributions to the Union 401k to receive the profit share contributions. Profit share contributions are made for each hour worked by each eligible union steelworker at the following rates: $1.45 per hour from April 1, 2012 to May 6, 2012; $0.45 per hour from May 7, 2012 to March 31, 2013; $0.50 per hour from April 1, 2013 to March 31, 2014 and $0.55 per hour from April 1, 2014 and beyond. Profit share contributions amounted to approximately $138,000 and $105,000 for the years ended December 29, 2013 and December 30, 2012, respectively.

10. Income Per Share

The following table sets forth the computation of basic and diluted income (loss) per share:

		Year Ended	
		December 29 2013	**December 30 2012**
		(in thousands except per share data)	
Income from continuing operations	$	12,708 $	3,499
Loss from discontinued operations		(381)	(1,326)
Net income	$	12,327 $	2,173
Denominator for basic income (loss) per share - weighted average shares		4,182	4,156
Effect of dilutive securities:			
Unvested restricted stock grants		18	4
Denominator for diluted income (loss) per share - adjusted weighted average shares and assumed conversions		4,200	4,160
Basic EPS			
Income per share from continuing operations	$	3.04 $	0.84
Loss per share from discontinued operations	$	(0.09)$	(0.32)
Income per share	$	2.95 $	0.52
Diluted EPS			
Income per share from continuing operations	$	3.03 $	0.84
Loss per share from discontinued operations	$	(0.09)$	(0.32)
Income per share	$	2.94 $	0.52

11. Stock-Based Compensation

A summary of the status of the Company's nonvested shares of restricted stock as of December 29, 2013 and changes during the year ended December 29, 2013, is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2012	31,995	$ 15.00
Granted	-	15.00
Cancelled	(666)	15.00
Vested	(31,329)	15.00
Nonvested at December 29, 2013	-	$ -

The compensation cost that has been charged against operations for the restricted stock grants was $430,000 and $646,000 for 2013 and 2012, respectively. The total fair value of shares vested during the years ended December 29, 2013 and December 30, 2012, was $632,000 and $419,000, respectively. The compensation cost for restricted stock grants is included in general and administrative expenses on its consolidated statements of operations.

12. Related Party Transactions and Leases

The Company leased a property under terms of an operating lease agreement from a partnership owned by the majority shareholder and his family. On January 4, 2014, the Company purchased the property for approximately $6,000,000 from the partnership and terminated the related lease.

Rent expense under the related party lease totaled approximately $569,000 and $694,000 for the years ended December 29, 2013 and December 30, 2012, respectively.

The Company also leases certain property, vehicles, and equipment from nonrelated parties for which it incurred rent expense of approximately $725,000 and $529,000 for the years ended December 29, 2013 and December 30, 2012, respectively.

Future minimum rentals (excluding taxes), by year, and in the aggregate under these noncancelable operating leases are as follows:

	(in thousands)
2014	$ 473
2015	476
2016	387
2017	204
2018	113
	$ 1,653

13. Commitments and Contingencies

The Company is involved from time to time through the ordinary course of business in certain claims, litigation, and assessments. Due to the nature of the construction industry, the Company's employees from time to time become subject to injury, or even death, while employed by the Company. The Company does not believe there are any such contingencies at December 29, 2013 for which the eventual outcome would have a material adverse impact on the financial position, results of operations or liquidity of the Company, except as recorded in these financial statements.

On February 9, 2009, the Roosevelt Irrigation District ("RID") brought suit in the United States District Court for the District Court of Arizona against Salt River Project Agricultural Improvement and Power District and approximately one-hundred other defendants, including the Company's subsidiary, Schuff Steel Company ("SSC"). RID operates one-hundred groundwater wells in western Maricopa County and contends that approximately twenty of its wells are contaminated. RID asserts recovery against the defendants under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA" or "Superfund") for the recovery of costs incurred by RID in responding to the defendants' alleged releases or threatened releases of hazardous substances into groundwater that allegedly impact or threaten to impact the groundwater in the West Van Buren area of Phoenix, Arizona. RID has submitted an Early Response Action ("ERA") to the Arizona Department of Environmental Quality ("ADEQ") and has asserted future potential remediation costs in excess of $40,000,000. ADEQ received substantial public comment against the ERA. In July 2010, the ADEQ granted conditional approval to RID's remediation plan with a substantial number of conditions and milestones. Accordingly, RID amended its complaint and SSC was served with the first amended complaint in late July 2010. Initially, most defendants filed either various motions to dismiss RID's complaint or motions for summary judgment based on certain legal theories but the Court dismissed these motions without prejudice to focus on substantial motions to disqualify counsel for RID based upon various conflicts of interest with RID's chosen counsel. The Court granted certain motions by five defendants to disqualify RID's counsel by order dated August 26, 2011. RID has modified their ERA ("MERA") and proposed a reduced scale project which was given conditional approval by ADEQ on February 1, 2013. On July 29, 2013, RID submitted its Second Amended Complaint, in which SSC was no longer a defendant. Accordingly, SSC is not currently involved in the litigation and to date, no other defendant has brought third- party or contribution claims against SSC.

On February 5, 2010, Silver Steel, Inc. ("Silver") brought suit in Clark County, Nevada District Court (the "Court") against the Company's subsidiary SSC and our bonding company. Silver acted as second tier subcontractor to SSC on the Sobella Retail project ("project"), which was part of the City Center Project in Las Vegas, Nevada. Silver agreed in October, 2007, to a fixed price of approximately $1,483,000 to perform metal deck installation and to perform extra work at agreed upon hourly rates. During the project, Silver submitted over 500 extra work orders ("EWO"), which were then bundled into proposed change orders ("PCO"). Twenty- four executed change orders were issued totaling approximately $3,305,000, for a total adjusted contract of approximately $4,788,000. SSC has paid the adjusted contract value. Silver completed construction of the base scope of its work in August 2008. It performed extra work on the project into January 2009. Silver never complained during the project about any unpaid extra work or alleged impacts. Thereafter, on February 26, 2009, Silver first gave SSC notice of a claim in PCO 43, in the amount of $666,000. SSC arranged for Silver to present its claim to Perini Construction Company ("Perini"), the general contractor, which denied the claim, in part because there was no backup presented by Silver. SSC claimed that it was prejudiced by the late claim, because if it had been put on notice of an impact during the course of the project, it could have taken action to minimize the impact or to pass the claim upstream to Perini or the owner. Silver's initial claims in the litigation were for breach of contract, among other legal theories, against SSC for allegedly unpaid work and its alleged damages, which had increased to $2,433,000. SSC has denied any liability. In November 2011, Silver increased its total cost claim for damages to approximately $4,300,000. SSC continued to dispute that Silver is entitled to any additional amounts and that the damages claims are incorrect and based upon unsupportable facts and assumptions. Trial in this matter occurred between February 7 and 21, 2012. By order dated July 16, 2013, the court rejected Silver's claims for additional compensation but found that SSC had not paid Silver approximately $112,000 in approved change orders. SSC filed a motion to amend the findings to show that Silver had been paid its full contract balance. By order dated October 22, 2013, the court substantially granted SSC's motion to amend the findings showing that Silver has been paid its full contract balance with the exception of approximately $9,000. The court also award SSC its attorneys' fees and costs of approximately $213,000. SSC intends to aggressively seek collection of its attorneys' fees and costs.

In December 2012, two lawsuits were filed against our subsidiaries that involve fabrication work pertaining to a refinery in Whiting, Indiana ("BP Refinery"), owned by a subsidiary of British Petroleum ("BP"). In December 2012, BP brought suit in the United States District Court for the Northern District of Indiana (the "Indiana suit") against Carboline Company ("Carboline"), Trinity Steel Fabricators, Inc. ("Trinity"), the Company's subsidiary, SSC, Tecon Services, Inc. ("Tecon") and Alfred Miller Contracting Company ("AMC"), asserting contract and warranty claims as to SSC, arising out of allegations that fireproofing applied to steel that SSC and Trinity supplied to a modernization project at the BP Refinery was defectively fireproofed. The steel fabricators, Trinity and a Schuff subsidiary, subcontracted the application of the Pyrocrete® 241 to AMC and/or Tecon. These applicators purchased the Pyrocrete® 241 from the manufacturer, Carboline. BP alleges that the Pyrocrete® 241 is defective and causing damage to BP's property and that the defects are caused by the preparation or application of the Pyrocrete® 241, or by defects in the product itself. BP alleges that it has and will continue to incur substantial damages. BP has not quantified its damages; however, they are believed to be at least in the tens of millions of dollars. Remediation of the fireproofing has commenced but is not expected to be completed for some time, and total alleged damages will remain uncertain until that work is completed.

Also in December 2012, AMC and Tecon filed a Petition for Damages and Declaratory Judgment in the State Court of Louisiana (14th Judicial District Court, Parish of Calcasieu) (the "Louisiana suit"), against Carboline, BP Corporation North America Inc., BP Products North America, Inc. (collectively referred to as "BP entities"), Foster Wheeler USA Corporation, Fluor Enterprises, Inc, Trinity, the Company's subsidiaries, SSC and Schuff Steel – Gulf Coast, Inc. ("Gulf Coast"), Dynamic Industries, Inc. ("DII") and Land Coast Insulation, Inc. ("Landcoast"). AMC and Tecon allege, among other claims, that the Carboline Pyrocrete® 241 on the BP Refinery project was defective and that Carboline breached warranties relating to it and made negligent and fraudulent misstatements concerning that product. AMC and Tecon also seek a court determination of the rights and responsibilities of the parties involved in the procurement, application, inspection, assembly and/or fabrication of the structural steel that had Pyrocrete® 241 applied to it.

The Schuff entities have filed answers and cross-claims in both lawsuits denying liability to BP and seeking indemnification and recovery on warranty from AMC and Tecon to the extent of any improper application and from Carboline to the extent any defect in the Pyrocrete® 241 when it was applied. Numerous complex procedural and substantive legal and factual issues have yet to be resolved. Formal discovery has just commenced, however, there is a stay of discovery in place while the parties engage in mediation. Trial in the Louisiana suit is currently expected sometime in 2015. No trial date has been set in the Indiana suit. The Schuff entities intend to aggressively defend themselves in this matter.

On February 14, 2014, the Company's subsidiary, SSC, filed suit against dck/FWF, LLC ("dck") in the Circuit Court in Sarasota County, Florida. The suit involves claims for additional work and costs SSC incurred on the University Town Center Project ("UTC Project") in Sarasota, Florida. From the beginning of the UTC Project, the owner and general contractor, dck, made numerous design changes that resulted in substantial extra work for SSC. dck directed SSC to proceed and price this additional work. SSC has incurred over $2,500,000 in additional work but has not been paid for the work. SSC was also severely impacted by the actions of the owner and/or dck or their respective agents, which caused SSC to incur over $5,000,000 in additional costs. SSC intends to aggressively pursue recovery of amounts owed and damages sustained.

The Company is self-insured for its employees' workers' compensation claims. Under provisions of the policies, the Company has purchased stop/loss insurance to mitigate its risks against catastrophic injury-related events.

The stop/loss amount for workers' compensation is $350,000 per employee per accident. At December 29, 2013 and December 30, 2012, the Company had an accrual of approximately $2,409,000 and $2,403,000, respectively, for workers' compensation claims incurred but not paid or reported and for future claims from injuries existing at year-end (see Note 6).

The Company is self-insured for its employees' medical and dental insurance claims. Under provisions of the policies, the Company has purchased stop/loss insurance to mitigate its risks against catastrophic medical events. The stop/loss amount for medical insurance claims is $300,000 per claimant and 110% of expected claims for each plan year. At December 29, 2013 and December 30, 2012, the Company had an accrual of approximately $2,025,000 and $1,997,000, respectively, for medical and dental insurance claims incurred but not paid or reported and for our terminal liability with its insurance service provider.

The Company had approximately $48,893,000 of performance bonds issued on its behalf as of December 29, 2013. The performance bonds were required by various general contractors to guarantee the Company's performance on projects.

14. Significant Customers

During 2013, the Company did not have revenues from any one customer that were in excess of 10% of 2013 revenues. During 2012, the Company had revenues from a customer that totaled approximately 10% of total revenues. In addition, receivables from this customer totaled approximately 8% of total receivables.

During the years ended December 29, 2013 and December 30, 2012, the Company's revenues included approximately $31,260,000 and $29,821,000, respectively, relating to international customers for which there was approximately $5,705,000 and $6,511,000 in accounts receivables at December 29, 2013 and December 30, 2012, respectively.

15. Backlog

The Company's backlog was $426,909,000 ($370,113,000 under contracts or purchase orders and $56,796,000 under letters of intent) and $186,246,000 ($167,307,000 under contracts or purchase orders and $18,939,000 under letters of intent) at December 29, 2013 and at December 30, 2012, respectively. The Company's backlog increases as contract commitments, letters of intent, notices to proceed and purchase orders are obtained, decreases as revenues are recognized and increases or decreases to reflect modifications in the work to be performed under the contracts, notices to proceed, letters of intent or purchase orders. The Company's backlog can be significantly affected by the receipt, or loss, of individual contracts. Approximately $241,192,000, representing 56.5% of the Company's backlog at December 29, 2013, was attributable to five contracts, letters of intent, notices to proceed or purchase orders. If one or more large contracts are terminated or their scope reduced, the Company's backlog could decrease substantially.

16. Discontinued Operations

On April 26, 2013, the Company entered into an agreement with Canam Steel Corporation ("Canam") to sell Canam substantially all of the assets of the Company's subsidiary, Quincy Joist Company. Under the agreement, the assets included the joist plant in Buckeye, Arizona ("Arizona"), including all equipment and inventory and the joist plant (excluding the land) in Quincy, Florida ("Florida"), including all equipment and inventory. The sale of the Arizona assets was completed on June 1, 2013 and the sale of the Florida assets was completed on July 10, 2013. The majority of the proceeds were used to paydown the GB Loan (see Note 7).

Loss from discontinued operations consists of direct revenues and expenses of Quincy Joist Company. A summary of the operating results included in discontinued operations in the accompanying consolidated statements of operations is as follows:

	Year Ended	
	December 29 2013	**December 30 2012**
	(in thousands)	
Revenues	$ 14,202	$ 23,837
Cost of revenues	13,267	22,426
Gross profit	935	1,411
Total operating expenses	1,541	2,903
Loss from operations	(606)	(1,492)
Other income/expense	(274)	(648)
Loss before income taxes	(880)	(2,140)
Benefit from income tax	333	814
Loss from discontinued operations, net of tax	(547)	(1,326)
Gain on sale of discontinued operations, net of tax	166	-
Loss from discontinued operations	$ (381)	$ (1,326)

A summary of the assets and liabilities related to the discontinued operations of Quincy Joist Company classified as assets of discontinued operations and liabilities related to discontinued operations in the accompanying consolidated balance sheets is as follows:

	December 29 2013	December 30 2012
	(in thousands)	
Assets of discontinued operations (current):		
Receivables	$ 1,009	$ 4,712
Income tax receivable	114	752
Costs and recognized earnings in excess of billings on uncompleted contracts	-	1,023
Inventories	-	6,908
Deferred tax asset	348	138
Prepaid expenses and other current assets	-	57
Total	$ 1,471	$ 13,590
Assets of discontinued operations (long-term):		
Property, plant and equipment, net	283	3,422
Deferred tax asset	-	65
Other assets	28	28
Total	$ 311	$ 3,515
Liabilities related to discontinued operations (current):		
Bank overdraft	5	734
Accounts payable	476	1,863
Accrued payroll and employee benefits	-	323
Other current liabilities	915	170
Billings in excess of costs and recognized earnings on uncompleted contracts	-	726
Total	$ 1,396	$ 3,816
Liabilities related to discontinued operations (long-term):		
Deferred tax liability	27	-
Total	$ 27	$ -

17. Subsequent Events

The Company has evaluated subsequent events through March 6, 2014, which is the date the consolidated financial statements were available to be issued. Subsequent events identified have been disclosed in Notes 12 and 13.

Exhibit B

Company Materials

Schuff International, Inc.
Consolidated Income Statemet

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Revenue	264,398,366	396,790,293	494,271,730	736,193,634	681,629,254	420,871,059	287,566,000	392,161,378	447,047,500	428,478,990
% yoy growth		50.1%	24.6%	48.9%	(7.4%)	(38.3%)	(31.7%)	36.4%	14.0%	(4.2%)
COGS	221,223,878	326,650,656	401,884,804	582,036,691	525,049,571	325,354,212	246,037,369	349,143,671	400,955,021	367,352,658
Gross profit	43,174,488	70,139,637	92,386,926	154,156,943	156,579,683	95,516,847	41,528,631	43,017,707	46,092,479	61,126,332
% Net Revenue	16.3%	17.7%	18.7%	20.9%	23.0%	22.7%	14.4%	11.0%	10.3%	14.3%
Operating Expenses										
General & administrative expenses	24,604,569	28,324,883	33,701,591	37,790,380	47,482,216	39,472,862	35,402,606	43,817,254	36,213,958	38,059,852
Corporate and local bonuses	2,441,800	5,725,412	8,890,627	18,053,137	17,285,131	10,432,492	2,178,828	1,612,393	1,100,224	4,036,619
Total Operating Expenses	27,046,369	34,050,295	42,592,218	55,843,517	64,767,347	49,905,354	37,581,434	45,429,647	37,314,182	42,096,471
% Net Revenue	10.2%	8.6%	8.6%	7.6%	9.5%	11.9%	13.1%	11.6%	8.3%	9.8%
Operating Income	16,128,119	36,089,342	49,794,708	98,313,426	91,812,336	45,611,493	3,947,197	(2,411,940)	8,778,297	19,029,861
% Net Revenue	6.1%	9.1%	10.1%	13.4%	13.5%	10.8%	1.4%	-0.6%	2.0%	4.4%
% yoy growth		123.8%	38.0%	97.4%	(6.6%)	(50.3%)	(91.3%)	(161.1%)	(464.0%)	116.8%
Interest Expense										
Interest expense on senior notes	9,074,412	8,234,438	6,902,757	650,274	-	-	-	58,334	4,048,527	2,517,863
Interest expense on Wells Fargo Debt	-	-	-	2,117,646	1,441,361	1,203,076	880,996	596,297	1,113,215	828,546
Interest expense on DE Shaw Debt	-	-	-	2,082,607	2,100,000	9,308,331	-			
Interest expense - other	216,319	423,840	2,917,434	1,839,513	1,012,498	118,435	327,729	351,900	540,638	300
Amortization of Debt Issue Costs	418,618	386,905	397,009	500,467	479,692	483,251	219,274	134,035	780,954	600,763
Total Interest Expense	9,709,349	9,045,183	10,217,200	7,190,507	5,033,551	11,113,093	1,427,999	1,140,566	6,483,334	3,947,472
% Net Revenue	3.7%	2.3%	2.1%	1.0%	0.7%	2.6%	0.5%	0.3%	1.5%	0.9%
Other income	438,281	530,932	1,728,393	834,601	546,170	(795,538)	130,756	352,216	859,986	(425,168)
EBT	6,857,050	27,575,091	41,305,901	91,957,520	87,324,955	33,702,862	2,649,954	(3,200,290)	3,154,949	14,657,221
% Net Revenue	2.6%	6.9%	8.4%	12.5%	12.8%	8.0%	0.9%	-0.8%	0.7%	3.4%
% yoy growth		302.1%	49.8%	122.6%	(5.0%)	(61.4%)	(92.1%)	(220.8%)	(198.6%)	364.6%
Provisions/(benefits) for income taxes	2,136,137	10,396,422	15,483,474	32,083,812	31,009,949	14,751,649	1,370,034	1,788,486	845,673	2,418,272
Income before minority interest & cum effect acctg ch	4,720,913	17,178,669	25,822,427	59,873,708	56,315,006	18,951,213	1,279,920	(4,988,776)	2,309,276	12,238,949
Minority interest	(1,827)	(20,184)						43,330	136,149	(87,559)
Cumulative effect of change in acctg principle										
Net income (loss)	4,722,740	17,198,853	25,822,427	59,873,708	56,315,006	18,951,213	1,279,920	(5,032,106)	2,173,127	12,326,508
EBITDA	19,428,758	39,070,002	53,496,526	102,329,438	97,228,515	52,587,338	10,672,100	13,098,195	16,560,106	26,835,532