COMMERCIAL METALS CO
Form 10-Q
July 01, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended May 31, 2014
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-4304

COMMERCIAL METALS COMPANY
(Exact Name of Registrant as Specified in Its Charter)

Delaware	75-0725338
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

6565 N. MacArthur Blvd.
Irving, Texas 75039
(Address of Principal Executive Offices) (Zip Code)
(214) 689-4300
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The number of shares outstanding of common stock as of June 26, 2014 was 117,826,175.

COMMERCIAL METALS COMPANY AND SUBSIDIARIES
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ITEM 1. FINANCIAL STATEMENTS
COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands, except share data)	2014	2013	2014	2013
Net sales	$1,804,774	$1,752,542	$5,136,763	$5,190,714
Costs and expenses:				
Cost of goods sold	1,621,476	1,577,024	4,627,182	4,689,165
Selling, general and administrative expenses	126,756	121,731	352,305	360,975
Interest expense	18,999	18,043	57,756	51,557
Gain on sale of cost method investment	—	—	—	(26,088)
	1,767,231	1,716,798	5,037,243	5,075,609
Earnings from continuing operations before income taxes	37,543	35,744	99,520	115,105
Income taxes	13,700	17,379	32,657	43,876
Earnings from continuing operations	23,843	18,365	66,863	71,229
Earnings (loss) from discontinued operations before income taxes	(417)	956	22,529	3,243
Income taxes	(137)	358	8,766	1,213
Earnings (loss) from discontinued operations	(280)	598	13,763	2,030
Net earnings	23,563	18,963	80,626	73,259
Less net earnings (loss) attributable to noncontrolling interests	—	(1)	1	1
Net earnings attributable to CMC	$23,563	$18,964	$80,625	$73,258
Basic earnings per share attributable to CMC:				
Earnings from continuing operations	$0.20	$0.16	$0.57	$0.61
Earnings from discontinued operations	—	—	0.12	0.02
Net earnings	$0.20	$0.16	$0.69	$0.63
Diluted earnings per share attributable to CMC:				
Earnings from continuing operations	$0.20	$0.16	$0.56	$0.60
Earnings from discontinued operations	—	—	0.12	0.02
Net earnings	$0.20	$0.16	$0.68	$0.62
Cash dividends per share	$0.12	$0.12	$0.36	$0.36
Average basic shares outstanding	117,705,133	116,845,542	117,400,198	116,589,382
Average diluted shares outstanding	118,769,675	117,703,590	118,521,816	117,456,756

See notes to unaudited consolidated financial statements.

COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands)	2014	2013	2014	2013
Net earnings	$23,563	$18,963	$80,626	$73,259
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustment and other, net of income taxes of $230, $(12,912), $3,260 and $(4,516)	655	(23,979)	28,840	(8,387)
Net unrealized gain (loss) on derivatives:				
Unrealized holding gain (loss), net of income taxes of $110, $(154), $(434) and $(65)	390	(210)	(1,653)	164
Reclassification for loss (gain) included in net earnings, net of income taxes of $(50), $(3), $258 and $(177)	(103)	(44)	1,259	(440)
Net unrealized gain (loss) on derivatives, net of income taxes of $60, $(157), $(176) and $(242)	287	(254)	(394)	(276)
Defined benefit obligation:				
Net gain, net of income taxes of $0, $0, $296 and $0	—	—	550	—
Amortization of prior services, net of income taxes of $(1), $0, $(2) and $1	(2)	1	(6)	5
Adjustment from plan changes, net of income taxes of $0, $0, $0 and $308	—	—	—	1,315
Defined benefit obligation, net of income taxes of $(1), $0, $294 and $309	(2)	1	544	1,320
Other comprehensive income (loss)	940	(24,232)	28,990	(7,343)
Comprehensive income (loss)	$24,503	$(5,269)	$109,616	$65,916

See notes to unaudited consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share data)	May 31, 2014	August 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$437,210	$378,770
Accounts receivable (less allowance for doubtful accounts of $6,251 and $10,042)	946,675	989,694
Inventories, net	944,786	757,417
Other	169,340	240,314
Total current assets	2,498,011	2,366,195
Property, plant and equipment:		
Land	81,001	80,764
Buildings and improvements	504,430	486,494
Equipment	1,731,156	1,666,250
Construction in process	25,831	18,476
	2,342,418	2,251,984
Less accumulated depreciation and amortization	(1,410,674)	(1,311,747)
	931,744	940,237
Goodwill	69,786	69,579
Other assets	118,928	118,790
Total assets	$3,618,469	$3,494,801
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable-trade	$392,706	$342,678
Accounts payable-documentary letters of credit	116,189	112,281
Accrued expenses and other payables	297,940	314,949
Notes payable	4,640	5,973
Current maturities of long-term debt	7,147	5,228
Total current liabilities	818,622	781,109
Deferred income taxes	56,727	46,558
Other long-term liabilities	115,745	118,165
Long-term debt	1,276,729	1,278,814
Total liabilities	2,267,823	2,224,646
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01 per share; authorized 200,000,000 shares; issued 129,060,664 shares; outstanding 117,756,907 and 117,010,990 shares	1,290	1,290
Additional paid-in capital	362,360	363,772
Accumulated other comprehensive income (loss)	1,814	(27,176)
Retained earnings	1,205,067	1,166,732
Less treasury stock, 11,303,757 and 12,049,674 shares at cost	(219,974)	(234,619)
Stockholders' equity attributable to CMC	1,350,557	1,269,999
Stockholders' equity attributable to noncontrolling interests	89	156
Total stockholders' equity	1,350,646	1,270,155
Total liabilities and stockholders' equity	$3,618,469	$3,494,801

See notes to unaudited consolidated financial statements.

COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended May 31,	
(in thousands)	2014	2013
Cash flows from (used by) operating activities:		
Net earnings	$80,626	$73,259
Adjustments to reconcile net earnings to cash flows from (used by) operating activities:		
Depreciation and amortization	101,130	102,164
Provision for losses on receivables, net	(1,705)	3,349
Share-based compensation	16,054	13,528
Amortization of interest rate swaps termination gain	(5,698)	(8,723)
Loss on debt extinguishment	—	1,502
Deferred income taxes	28,560	44,371
Tax benefits from stock plans	(625)	(6)
Net gain on sale of a subsidiary, cost method investment and other	(28,032)	(25,999)
Asset impairment	1,227	3,434
Changes in operating assets and liabilities:		
Accounts receivable	(59,479)	(12,189)
Accounts receivable sold, net	124,415	(2,292)
Inventories	(176,766)	(30,011)
Other assets	(18,486)	5,128
Accounts payable, accrued expenses and other payables	38,328	(122,482)
Other long-term liabilities	(5,244)	(1,962)
Net cash flows from operating activities	94,305	43,071
Cash flows from (used by) investing activities:		
Capital expenditures	(67,718)	(63,008)
Proceeds from the sale of property, plant and equipment and other	6,773	11,164
Proceeds from the sale of a subsidiary	52,276	—
Proceeds from the sale of cost method investment	—	28,995
Net cash flows used by investing activities	(8,669)	(22,849)
Cash flows from (used by) financing activities:		
Increase (decrease) in documentary letters of credit, net	2,985	(25,153)
Short-term borrowings, net change	(1,333)	(25,595)
Repayments on long-term debt	(4,826)	(63,442)
Proceeds from issuance of long-term debt	—	330,000
Payments for debt issuance costs	(430)	(4,125)
Debt extinguishment costs	—	(1,502)
Decrease in restricted cash	18,037	—
Stock issued under incentive and purchase plans, net of forfeitures	(860)	1,347
Cash dividends	(42,290)	(41,990)
Tax benefits from stock plans	625	6
Contribution from (purchase of) noncontrolling interests	(37)	13
Net cash flows from (used by) financing activities	(28,129)	169,559
Effect of exchange rate changes on cash	933	1,066
Increase in cash and cash equivalents	58,440	190,847
Cash and cash equivalents at beginning of year	378,770	262,422

Cash and cash equivalents at end of period	$437,210	$453,269

See notes to unaudited consolidated financial statements.

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COMMERCIAL METALS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Common Stock		Additional	Accumulated Other		Treasury Stock		Non-	
(in thousands, except share data)	Number of Shares	Amount	Paid-In Capital	Comprehensive Income (Loss)	Retained Earnings	Number of Shares	Amount	controlling Interests	Total
Balance, September 1, 2012	129,060,664	$1,290	$365,778	$(18,136)	$1,145,445	(12,709,240)	$(248,009)	$139	$1,246,507
Net earnings					73,258			1	73,259
Other comprehensive income (loss)				(7,343)					(7,343)
Cash dividends					(41,990)				(41,990)
Issuance of stock under incentive and purchase plans, net of forfeitures			(9,753)			548,150	11,100		1,347
Share-based compensation			9,918						9,918
Tax benefits from stock plans			6						6
Contribution of noncontrolling interest								13	13
Balance, May 31, 2013	129,060,664	$1,290	$365,949	$(25,479)	$1,176,713	(12,161,090)	$(236,909)	$153	$1,281,717

	Common Stock		Additional	Accumulated Other		Treasury Stock		Non-	
(in thousands, except share data)	Number of Shares	Amount	Paid-In Capital	Comprehensive Income (Loss)	Retained Earnings	Number of Shares	Amount	controlling Interests	Total
Balance, September 1, 2013	129,060,664	$1,290	$363,772	$(27,176)	$1,166,732	(12,049,674)	$(234,619)	$156	$1,270,155
Net earnings					80,625			1	80,626
Other comprehensive income (loss)				28,990					28,990
Cash dividends					(42,290)				(42,290)
Issuance of stock under incentive and purchase plans, net of forfeitures			(15,505)			745,917	14,645		(860)
Share-based compensation			13,437						13,437
Tax benefits from stock plans			625						625

Purchase of noncontrolling interests			31					(68)	(37)
Balance, May 31, 2014	129,060,664	$1,290	$362,360	$1,814	$1,205,067	(11,303,757)	$(219,974)	$89	$1,350,646

See notes to unaudited consolidated financial statements.

COMMERCIAL METALS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
NOTE 1. ACCOUNTING POLICIES

Accounting Principles
The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") on a basis consistent with that used in the Annual Report on Form 10-K for the fiscal year ended August 31, 2013 filed by Commercial Metals Company ("CMC", and together with its consolidated subsidiaries, the "Company") with the Securities and Exchange Commission ("SEC") and include all normal recurring adjustments necessary to present fairly the consolidated balance sheets and the consolidated statements of operations, comprehensive income (loss), cash flows and stockholders' equity for the periods indicated. These notes should be read in conjunction with the audited consolidated financial statements and notes included in the Annual Report on Form 10-K for the fiscal year ended August 31, 2013. The results of operations for the three and nine month periods are not necessarily indicative of the results to be expected for the full year.

In the accompanying consolidated statement of cash flows for the nine months ended May 31, 2013, the Company corrected the classification of $25.5 million of changes in certain documentary letters of credit from cash flows used by operating activities to cash flows used by financing activities, which increased cash flows from operating activities and decreased cash flows from financing activities for that period. The Company considers accounts payable - documentary letters of credit a short-term financing activity and accordingly made this correction in order to properly present the changes in these certain documentary letters of credit as a financing activity in the consolidated statement of cash flows allowing users of its financial statements to better understand the level at which the Company uses documentary letters of credit. This correction did not have an impact on the Company’s consolidated results of operations, earnings per share, balance sheet or net cash flows used by investing activities in the consolidated statement of cash flows for the nine months ended May 31, 2013.

Recent Accounting Pronouncements
In the first quarter of fiscal 2014, the Company adopted guidance issued by the Financial Accounting Standards Board ("FASB") requiring an entity to provide quantitative and qualitative disclosures about the nature of its rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The objective is to make financial statements that are prepared under GAAP more comparable to those prepared under International Financial Reporting Standards. The new disclosures give financial statement users information about both gross and net exposures. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued guidance requiring entities to recognize revenue by applying a five-step model in accordance with the core principle to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, this guidance specifies the accounting for some costs to obtain or fulfill a contract with a customer and expands disclosure requirements for revenue recognition. This guidance is effective for fiscal years, and interim reporting periods therein, beginning after December 15, 2016. Entities have the option to adopt this guidance either retrospectively or through a modified retrospective transition method. This new standard will supersede existing revenue guidance and affect the Company's revenue recognition process and the presentations or disclosures of the Company's consolidated financial statements and footnotes. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In April 2014, the FASB issued guidance changing the requirements for reporting discontinued operations if the disposal of a component of an entity, or a group of components of an entity, represents a strategic shift that has, or will have, a major effect on an entity’s operations and financial results. The guidance requires expanded disclosures for discontinued operations and also requires entities to disclose the pre-tax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. The new guidance is effective prospectively for fiscal years, and interim periods within those years, beginning on or after December 15, 2014. The guidance will affect the Company's current practice of assessing discontinued operations and the presentations or disclosures of the Company's consolidated financial statements and footnotes.

In July 2013, the FASB issued guidance requiring entities to net an unrecognized tax benefit with a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The new guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In April 2013, the FASB issued guidance requiring an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. In addition, the guidance provides principles for the recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. The new guidance is effective prospectively for entities that determine liquidation is imminent during fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In March 2013, the FASB issued guidance requiring an entity to release any related cumulative translation adjustment into net income when it 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. In addition, the guidance resolves the diversity in practice for the treatment of business combinations achieved in stages involving a foreign entity. The new guidance is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In February 2013, the FASB issued guidance requiring an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The guidance also requires entities to disclose the nature and amount of the obligation as well as other information about the obligation. The new guidance is effective retrospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

NOTE 2. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss), net of income taxes, for the three months ended May 31, 2014 and 2013 was comprised of the following:

(in thousands)	Foreign Currency Translation	Unrealized Gain (Loss) on Derivatives	Defined Benefit Obligation	Total Accumulated Other Comprehensive Income (Loss)
Balance, February 28, 2014	$708	$2,913	$(2,747)	$ 874
Other comprehensive income before reclassifications	655	390	—	1,045
Amounts reclassified from AOCI	—	(103)	(2)	(105)
Net other comprehensive income (loss)	655	287	(2)	940
Balance, May 31, 2014	$1,363	$3,200	$(2,749)	$ 1,814

(in thousands)	Foreign Currency Translation	Unrealized Gain (Loss) on Derivatives	Defined Benefit Obligation	Total Accumulated Other Comprehensive Income (Loss)
Balance, February 28, 2013	$(1,777)	$3,688	$(3,158)	$ (1,247)
Other comprehensive loss before reclassifications	(23,979)	(210)	—	(24,189)
Amounts reclassified from AOCI	—	(44)	1	(43)
Net other comprehensive income (loss)	(23,979)	(254)	1	(24,232)
Balance, May 31, 2013	$(25,756)	$3,434	$(3,157)	$ (25,479)

Accumulated other comprehensive income (loss), net of income taxes, for the nine months ended May 31, 2014 and 2013 was comprised of the following:

(in thousands)	Foreign Currency Translation	Unrealized Gain (Loss) on Derivatives	Defined Benefit Obligation	Total Accumulated Other Comprehensive Income (Loss)
Balance, August 31, 2013	$(27,477)	$3,594	$(3,293)	$ (27,176)
Other comprehensive income (loss) before reclassifications	28,840	(1,653)	550	27,737
Amounts reclassified from AOCI	—	1,259	(6)	1,253
Net other comprehensive income (loss)	28,840	(394)	544	28,990
Balance, May 31, 2014	$1,363	$3,200	$(2,749)	$ 1,814

(in thousands)	Foreign Currency Translation	Unrealized Gain (Loss) on Derivatives	Defined Benefit Obligation	Total Accumulated Other Comprehensive Income (Loss)
Balance, August 31, 2012	$(17,369)	$3,710	$(4,477)	$ (18,136)
Other comprehensive income (loss) before reclassifications	(8,387)	164	1,315	(6,908)
Amounts reclassified from AOCI	—	(440)	5	(435)
Net other comprehensive income (loss)	(8,387)	(276)	1,320	(7,343)

Balance, May 31, 2013	$(25,756)	$3,434	$(3,157)	$(25,479)

The significant items reclassified out of accumulated other comprehensive income (loss) and the corresponding line items in the consolidated statements of operations to which the items were reclassified were as follows:

		Three Months Ended May 31,		Nine Months Ended May 31,	
Components of AOCI (in thousands)	Location	2014	2013	2014	2013
Unrealized gain (loss) on derivatives:					
Commodity	Cost of goods sold	$67	$(95)	$(169)	$(86)
Foreign exchange	Net sales	20	80	(213)	141
Foreign exchange	Cost of goods sold	(60)	(29)	(1,574)	21
Foreign exchange	SG&A expenses	(8)	(79)	39	59
Interest rate	Interest expense	134	170	400	482
		153	47	(1,517)	617
Income tax effect	Income taxes (expense) benefit	(50)	(3)	258	(177)
Net of income taxes		$103	$44	$(1,259)	$440
Defined benefit obligation:					
Amortization of prior services	SG&A expenses	$3	$(1)	$8	$(6)
Income tax effect	Income taxes expense	(1)	—	(2)	1
Net of income taxes		$2	$(1)	$6	$(5)

Amounts in parentheses reduce earnings.

NOTE 3. SALES OF ACCOUNTS RECEIVABLE

The Company has a domestic sale of accounts receivable program which expires on December 26, 2014. Under the program, Commercial Metals Company contributes, and several of its subsidiaries sell without recourse, certain eligible trade accounts receivable to CMC Receivables, Inc. ("CMCRV"), a wholly owned subsidiary of CMC. CMCRV is structured to be a bankruptcy-remote entity and was formed for the sole purpose of buying and selling trade accounts receivable generated by the Company. CMCRV sells the trade accounts receivable in their entirety to two financial institutions. The financial institutions advance up to a maximum of $200.0 million for all trade accounts receivable sold, and the remaining portion of the purchase price of the trade accounts receivable will be paid to the Company from the ultimate collection of the trade accounts receivable after payment of certain fees and other costs. The Company accounts for sales of the trade accounts receivable as true sales and the trade accounts receivable balances that are sold are removed from the consolidated balance sheets. The cash advances received are reflected as cash provided by operating activities on the Company's consolidated statements of cash flows. Additionally, the sale of accounts receivable program contains certain cross-default provisions whereby a termination event could occur if the Company defaulted under certain of its credit arrangements. The covenants contained in the receivables purchase agreement are consistent with the credit facility described in Note 7, Credit Arrangements.

At May 31, 2014 and August 31, 2013, under its domestic sale of accounts receivable program, the Company had sold $353.9 million and $358.8 million of trade accounts receivable, respectively, to the financial institutions and received $70.0 million of advance payments at May 31, 2014 and no advance payments at August 31, 2013.

In addition to the domestic sale of accounts receivable program described above, the Company's international subsidiaries in Europe and Australia sell trade accounts receivable to financial institutions without recourse. These arrangements constitute true sales, and once the trade accounts receivable are sold, they are no longer available to the Company's creditors in the event of bankruptcy. The European program allows the Company’s European subsidiaries to obtain an advance up to 90% of eligible trade accounts receivable sold under the terms of the arrangement. During the first quarter of fiscal 2014, the Company phased out its existing Australian program and entered into a new trade accounts receivable sales program with a different financial institution. Under the new Australian program, trade accounts receivable balances are sold to a special purpose vehicle, which in turn sells 100% of the eligible trade accounts receivable of Commercial Metals Pty. Ltd., CMC Steel Distribution Pty. Ltd. and G.A.M. Steel Pty. Ltd. to the financial institution. Under the new Australian program, the financial institution will fund up to A$75.0 million for all trade accounts receivable sold, and the remaining portion of the purchase price of the trade accounts receivable will be paid to the Company from the ultimate collection of the trade accounts receivable after payment of certain fees and other costs. The Company accounts for sales of the trade accounts receivable as true sales, and the trade accounts receivable balances that are sold are removed from the consolidated balance sheets. The cash advances received are reflected as cash provided by operating activities on the Company's consolidated statements of cash flows.

At May 31, 2014 and August 31, 2013, under its European and Australian programs, the Company had sold $163.9 million and $121.2 million of accounts receivable, respectively, to third-party financial institutions and received advance payments of $79.0 million and $24.5 million, respectively.

During the nine months ended May 31, 2014 and 2013, cash proceeds from the domestic and international sale of accounts receivable programs were $494.1 million and $828.6 million, respectively, and cash payments to the owners of accounts receivable were $369.7 million and $830.9 million, respectively. For a nominal servicing fee, the Company is responsible for servicing the accounts receivable for the domestic and Australian programs. Discounts on domestic and international sales of accounts receivable were $1.1 million and $2.6 million for the three and nine months ended May 31, 2014, respectively, and $1.0 million and $3.1 million for the three and nine months ended May 31, 2013, respectively, and are included in selling, general and administrative expenses in the Company's consolidated statements of operations.

The deferred purchase price on the Company's domestic and international sale of accounts receivable programs are included in accounts receivable on the Company's consolidated balance sheets. The following tables summarize the activity of the deferred purchase price receivables for the domestic and international sale of accounts receivable programs:

	Three Months Ended May 31, 2014			
(in thousands)	Total	Domestic	Australia	Europe
Beginning balance	$313,117	$273,714	$29,635	$9,768
Transfers of accounts receivable	1,039,136	808,886	120,350	109,900
Collections	(989,887)	(803,592)	(111,791)	(74,504)
Ending balance	$362,366	$279,008	$38,194	$45,164

	Nine Months Ended May 31, 2014			
(in thousands)	Total	Domestic	Australia	Europe
Beginning balance	$453,252	$358,822	$64,996	$29,434
Transfers of accounts receivable	3,115,437	2,423,990	374,170	317,277
Collections	(3,134,011)	(2,503,804)	(328,660)	(301,547)
Program termination	(72,312)	—	(72,312)	—
Ending balance	$362,366	$279,008	$38,194	$45,164

	Three Months Ended May 31, 2013			
(in thousands)	Total	Domestic	Australia	Europe
Beginning balance	$493,129	$392,025	$55,829	$45,275
Transfers of accounts receivable	1,083,866	893,976	101,912	87,978
Collections	(1,124,001)	(912,753)	(87,376)	(123,872)
Ending balance	$452,994	$373,248	$70,365	$9,381

	Nine Months Ended May 31, 2013			
(in thousands)	Total	Domestic	Australia	Europe
Beginning balance	$515,481	$396,919	$70,073	$48,489
Transfers of accounts receivable	3,409,516	2,742,982	320,148	346,386
Collections	(3,472,003)	(2,766,653)	(319,856)	(385,494)
Ending balance	$452,994	$373,248	$70,365	$9,381

NOTE 4. INVENTORIES

Inventories are stated at the lower of cost or market. Inventory cost for most domestic inventories is determined by the last-in, first-out ("LIFO") method. At May 31, 2014 and August 31, 2013, 40% and 43%, respectively, of the Company's total net inventories were valued at LIFO. LIFO inventory reserves were $200.4 million and $185.5 million at May 31, 2014 and August 31, 2013, respectively. Inventory cost for international inventories and the remaining domestic inventories are determined by the first-in, first-out ("FIFO") method and consisted mainly of material dedicated to CMC Poland Sp. z.o.o. ("CMCP") and certain marketing and distribution businesses.

The majority of the Company's inventories are in the form of finished goods with minimal work in process. At May 31, 2014 and August 31, 2013, $95.4 million and $66.7 million, respectively, of the Company's inventories were in the form of raw materials.

NOTE 5. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table details the changes in the carrying amount of goodwill by reportable segment:

	Americas			International		
(in thousands)	Recycling	Mills	Fabrication	Mill	Marketing and Distribution	Consolidated
Balance, August 31, 2013	$7,267	$295	$57,144	$2,755	$ 2,118	$ 69,579
Foreign currency translation	—	—	—	172	35	207
Balance, May 31, 2014	$7,267	$295	$57,144	$2,927	$ 2,153	$ 69,786

The total gross carrying amounts of the Company's intangible assets that are subject to amortization were $43.5 million and $42.9 million at May 31, 2014 and August 31, 2013, respectively, and are included in other noncurrent assets on the Company's consolidated balance sheets. Excluding goodwill, there are no other significant intangible assets with indefinite lives. Amortization expense for intangible assets was $1.2 million and $3.6 million for the three and nine months ended May 31, 2014, respectively, and $1.2 million and $3.7 million for the three and nine months ended May 31, 2013, respectively.

NOTE 6. BUSINESSES HELD FOR SALE, DISCONTINUED OPERATIONS AND DISPOSITIONS

Businesses Held for Sale

The assets and liabilities of businesses classified as held for sale are included in other current assets and accrued expenses on the Company's consolidated balance sheets. The components of assets and liabilities of businesses held for sale are as follows:

(in thousands)	May 31, 2014	August 31, 2013
Assets:		
Accounts receivable	$—	$20,313
Inventories, net	—	8,713
Other current assets	—	3,683
Property, plant and equipment, net of accumulated depreciation and amortization	1,085	10,459
Assets of businesses held for sale	$1,085	$43,168
Liabilities:		
Accounts payable-trade	$—	$7,615
Accrued expenses and other payables	—	3,251
Liabilities of businesses held for sale	$—	$10,866

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Discontinued Operations
During the fourth quarter of fiscal 2013, the Company decided to sell all of the stock of its wholly owned copper tube manufacturing operation, Howell Metal Company ("Howell"). The Company determined that the decision to sell this business met the definition of a discontinued operation. As a result, the Company included Howell in discontinued operations for all periods presented.

During fiscal 2012, the Company announced its decision to exit the steel pipe manufacturing operations in Croatia ("CMCS") by closure of the facility and sale of the assets. The Company determined that the decision to exit this business met the definition of a discontinued operation. As a result, the Company included CMCS in discontinued operations for all periods presented. The Company sold a majority of CMCS' assets during fiscal 2012. The remaining assets were sold during the first quarter of fiscal 2013 for $3.9 million with no impact to the consolidated statements of operations.

Financial information for discontinued operations was as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands)	2014	2013	2014	2013
Net sales	$(113)	$41,764	$17,298	$122,492
Earnings (loss) from discontinued operations before income taxes	(417)	956	22,529	3,243

Dispositions
On October 17, 2013, the Company sold all of the outstanding capital stock of Howell for $58.5 million, of which $4.2 million was held in escrow, subject to customary purchase price adjustments. During the second quarter of fiscal 2014, the Company made a $3.0 million working capital adjustment, which is included in the Company's estimated pre-tax gain of $23.8 million. Howell was previously an operating segment included in the Americas Mills reporting segment.

During the first quarter of fiscal 2013, the Company completed the sale of its 11% ownership interest in Trinecke Zelezarny, a.s. ("Trinecke"), a Czech Republic joint-stock company, for $29.0 million resulting in a pre-tax gain of $26.1 million. The Trinecke investment was included in the International Marketing and Distribution reporting segment.

NOTE 7. CREDIT ARRANGEMENTS

In May 2013, the Company issued $330.0 million of 4.875% Senior Notes due May 15, 2023 (the "2023 Notes") and received proceeds of $325.0 million, net of underwriting discounts and debt issuance costs. The Company used $205.3 million of the proceeds from the 2023 Notes to purchase all of its outstanding $200.0 million of 5.625% Notes due 2013. Interest on the 2023 Notes is payable semi-annually on May 15 and November 15 of each year, beginning on November 15, 2013. The Company may, at any time, redeem the 2023 Notes at a redemption price equal to 100 percent of the principal amount, plus a "make-whole" premium described in the indenture pursuant to which the 2023 Notes were issued. Additionally, if a change of control triggering event occurs, as defined by the terms of the indenture governing the 2023 Notes, holders of the 2023 Notes may require the Company to repurchase the 2023 Notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase. The Company is generally not limited under the indenture governing the 2023 Notes in its ability to incur additional indebtedness provided the Company is in compliance with certain restrictive covenants, including restrictions on liens, sale and leaseback transactions, mergers, consolidations and transfers of substantially all of the Company's assets.

As a result of redeeming the 2013 Notes, the Company recognized expenses of $1.5 million related to loss on early extinguishment of debt and write-off of unamortized debt issuance costs, discounts and premiums, all of which were included in selling, general and administrative expenses in the consolidated statements of operations for each of the three and nine months ended May 31, 2013.

In December 2011, the Company entered into a third amended and restated $300.0 million revolving credit facility that matures on December 27, 2016. The maximum availability under this facility can be increased to $400.0 million with the consent of both CMC and the lenders. The program's capacity, with a sublimit of $50.0 million for letters of credit, is reduced by outstanding stand-by letters of credit, which totaled $35.5 million and $28.3 million at May 31, 2014 and August 31, 2013, respectively. Under the credit facility, the Company was required to maintain a minimum interest coverage ratio (adjusted EBITDA to interest expense, as each is defined in the facility) of not less than 3.00 to 1.00 for the twelve month cumulative period ended November 30, 2012 and for each fiscal quarter on a rolling twelve month cumulative period thereafter. At May 31, 2014, the Company's interest coverage ratio was 4.84 to 1.00. The credit facility also requires the Company to maintain a debt to capitalization ratio that does not exceed 0.60 to 1.00. At May 31, 2014, the Company's debt to capitalization ratio was 0.50 to 1.00. The credit facility provides for interest based on the LIBOR, the Eurodollar rate or Bank of America's prime rate.

On June 26, 2014, the Company entered into a fourth amended and restated credit agreement with a revolving credit facility of $350.0 million and a maturity date of June 2019. The maximum availability under the new credit facility can be increased to $500.0 million. Consistent with the Company's previous revolving credit facility, the new facility's capacity includes $50.0 million for the issuance of stand-by letters of credit.

Under the new credit facility, the Company will be required to comply with certain financial and non-financial covenants, including covenants to maintain: (i) an interest coverage ratio (consolidated EBITDA to consolidated interest expense, as each is defined in the agreement) of not less than 2.50 to 1.00 and (ii) a debt to capitalization ratio (consolidated funded debt to total capitalization, as each is defined in the credit agreement) that does not exceed 0.60 to 1.00. In addition, beginning on the date three months prior to each maturity date of the Company’s $400 million of 6.50% Senior Notes due July 2017 (“2017 Notes”) and its $500 million of 7.35% Senior Notes due August 2018 (“2018 Notes”) and each day thereafter that the 2017 Notes and the 2018 Notes are outstanding, the Company will be required to maintain liquidity of at least $150 million in excess of each of the outstanding aggregate principal amounts of the 2017 Notes and 2018 Notes. Loans under the new credit facility bear interest at (i) the Eurocurrency rate, (ii) a base rate, or (iii) the LIBOR rate.

At May 31, 2014, the Company was in compliance with all covenants contained in its debt agreements.

During fiscal 2012, the Company terminated its existing interest rate swap transactions and received cash proceeds of approximately $52.7 million, net of customary finance charges. The resulting gain was deferred and is being amortized as a reduction to interest expense over the remaining term of the respective debt tranches. At May 31, 2014 and August 31, 2013, the unamortized portion was $28.7 million and $34.4 million, respectively. Amortization of the deferred gain was $1.9 million and $5.7 million for the three and nine months ended May 31, 2014, respectively, and $2.9 million and $8.7 million for the three and nine months ended May 31, 2013, respectively.

The Company has uncommitted credit facilities available from domestic and international banks. In general, these credit facilities are used to support trade letters of credit (including accounts payable settled under bankers' acceptances), foreign exchange transactions and short-term advances which are priced at market rates.

Long-term debt, including the deferred gain from the termination of the interest rate swaps, was as follows:

(in thousands)	Weighted Average Interest Rate as of May 31, 2014	May 31, 2014	August 31, 2013
$400 million notes at 6.50% due July 2017	5.7%	$409,289	$411,518
$500 million notes at 7.35% due August 2018	6.4%	519,461	522,930
$330 million notes at 4.875% due May 2023	4.9%	330,000	330,000
Other, including equipment notes		25,126	19,594

	1,283,876	1,284,042
Less current maturities	7,147	5,228
	$1,276,729	$1,278,814

Interest on these notes is payable semiannually.

CMCP has uncommitted credit facilities of $67.4 million with several banks with expiration dates ranging from October 2014 to March 2015. During the nine months ended May 31, 2014, CMCP had total borrowings of $89.5 million and total repayments of $89.5 million under these credit facilities. At May 31, 2014, no material amounts were outstanding under these credit facilities.

The Company had no material amounts of interest capitalized in the cost of property, plant and equipment during the three and nine months ended May 31, 2014 and 2013, respectively. Cash paid for interest during the three and nine months ended May 31, 2014 was $9.6 million and $51.9 million, respectively, and $7.5 million and $45.8 million during the three and nine months ended May 31, 2013, respectively.

NOTE 8. DERIVATIVES AND RISK MANAGEMENT

The Company's global operations and product lines expose it to risks from fluctuations in metal commodity prices, foreign currency exchange rates, natural gas prices and interest rates. One objective of the Company's risk management program is to mitigate these risks using derivative instruments. The Company enters into (i) metal commodity futures and forward contracts to mitigate the risk of unanticipated changes in gross margin due to the volatility of the commodities' prices, (ii) foreign currency forward contracts that match the expected settlements for purchases and sales denominated in foreign currencies and (iii) natural gas forward contracts to mitigate the risk of unanticipated changes in operating cost due to the volatility of natural gas prices. When sales commitments to customers include a fixed price freight component, the Company occasionally enters into freight forward contracts to reduce the effects of the volatility of ocean freight rates.

At May 31, 2014, the notional value of the Company's foreign currency contract commitments and its commodity contract commitments was $457.7 million and $41.5 million, respectively. At May 31, 2013, the notional value of the Company's foreign currency contract commitments and its commodity contract commitments was $307.0 million and $52.4 million, respectively.

The following table provides information regarding the Company's commodity contract commitments as of May 31, 2014:

Commodity	Long/Short	Total	
Aluminum	Long	2,375	MT
Aluminum	Short	325	MT
Copper	Long	940	MT
Copper	Short	4,445	MT
Zinc	Long	22	MT

MT = Metric Ton

The Company designates only those contracts which closely match the terms of the underlying transaction as hedges for accounting purposes. These hedges resulted in substantially no ineffectiveness in the Company's consolidated statements of operations, and there were no components excluded from the assessment of hedge effectiveness for the three and nine months ended May 31, 2014 and 2013. Certain foreign currency and commodity contracts were not designated as hedges for accounting purposes, although management believes they are essential economic hedges.

The following tables summarize activities related to the Company's derivative instruments and hedged items recognized in the consolidated statements of operations:

		Three Months Ended May 31,		Nine Months Ended May 31,	
Derivatives Not Designated as Hedging Instruments (in thousands)	Location	2014	2013	2014	2013
Commodity	Cost of goods sold	$1,346	$1,469	$1,985	$1,775
Foreign exchange	Net sales	(351)	23	(736)	12
Foreign exchange	Cost of goods sold	(326)	3	(697)	3
Foreign exchange	SG&A expenses	1,183	1,336	(5,632)	4,216
Other	Cost of goods sold	—	4	—	9
Gain (loss) before income taxes		$1,852	$2,835	$(5,080)	$6,015

The Company's fair value hedges are designated for accounting purposes with gains and losses on the hedged items offsetting the gain or loss on the related derivative transaction. Hedged items relate to firm commitments on commercial sales and purchases and capital expenditures.

Derivatives Designated as Fair Value Hedging Instruments (in thousands)	Location	Three Months Ended May 31,		Nine Months Ended May 31,	
		2014	2013	2014	2013
Foreign exchange	Net sales	$(55)	$38	$(28)	$(190)
Foreign exchange	Cost of goods sold	(1,053)	2,291	(2,133)	2,839
Gain (loss) before income taxes		$(1,108)	$2,329	$(2,161)	$2,649

Hedged Items Designated as Fair Value Hedging Instruments (in thousands)	Location	Three Months Ended May 31,		Nine Months Ended May 31,	
		2014	2013	2014	2013
Foreign exchange	Net sales	$62	$(19)	$25	$232
Foreign exchange	Cost of goods sold	1,053	(2,291)	2,133	(2,839)
Gain (loss) before income taxes		$1,115	$(2,310)	$2,158	$(2,607)

Effective Portion of Derivatives Designated as Cash Flow Hedging Instruments Recognized in Accumulated Other Comprehensive Income (Loss) (in thousands)	Three Months Ended May 31,		Nine Months Ended May 31,	
	2014	2013	2014	2013
Commodity	$65	$(193)	$(48)	$(192)
Foreign exchange	325	(17)	(1,605)	356
Gain (loss), net of income taxes	$390	$(210)	$(1,653)	$164

Effective Portion of Derivatives Designated as Cash Flow Hedging Instruments Reclassified from Accumulated Other Comprehensive Income (Loss) (in thousands)	Location	Three Months Ended May 31,		Nine Months Ended May 31,	
		2014	2013	2014	2013
Commodity	Cost of goods sold	$43	$(62)	$(110)	$(56)
Foreign exchange	Net sales	20	80	(213)	141
Foreign exchange	Cost of goods sold	(57)	(37)	(1,231)	13
Foreign exchange	SG&A expenses	10	(47)	35	29
Interest rate	Interest expense	87	110	260	313
Gain (loss), net of income taxes		$103	$44	$(1,259)	$440

The Company enters into derivative agreements that include provisions to allow the set-off of certain amounts. Derivative instruments are presented on a gross basis on the Company's consolidated balance sheets. The asset and liability balances in the tables below reflect the gross amounts of derivative instruments at May 31, 2014 and August 31, 2013. The fair value of the Company's derivative instruments on the consolidated balance sheets was as follows:

Derivative Assets (in thousands)	May 31, 2014	August 31, 2013
Commodity — designated for hedge accounting	$15	$—
Commodity — not designated for hedge accounting	397	1,066
Foreign exchange — designated for hedge accounting	130	1,626
Foreign exchange — not designated for hedge accounting	1,076	1,238
Derivative assets (other current assets and other assets)*	$1,618	$3,930

Derivative Liabilities (in thousands)	May 31, 2014	August 31, 2013
Commodity — designated for hedge accounting	$18	$129
Commodity — not designated for hedge accounting	508	1,268
Foreign exchange — designated for hedge accounting	907	432
Foreign exchange — not designated for hedge accounting	878	1,738
Derivative liabilities (accrued expenses, other payables and long-term liabilities)*	$2,311	$3,567

* Derivative assets and liabilities do not include the hedged items designated as fair value hedges.

As of May 31, 2014, all of the Company's derivative instruments designated to hedge exposure to the variability in future cash flows of the forecasted transactions will mature within twelve months.

All of the instruments are highly liquid and not entered into for trading purposes.

NOTE 9. FAIR VALUE

The Company has established a fair value hierarchy which prioritizes the inputs to the valuation techniques used to measure fair value into three levels. These levels are determined based on the lowest level input that is significant to the fair value measurement. Levels within the hierarchy are defined as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 - Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable, either directly or indirectly; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following tables summarize information regarding the Company's financial assets and financial liabilities that were measured at fair value on a recurring basis:

(in thousands)	May 31, 2014	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market investments (1)	$191,415	$191,415	$—	$—
Commodity derivative assets (2)	412	412	—	—
Foreign exchange derivative assets (2)	1,206	—	1,206	—
Liabilities:				
Commodity derivative liabilities (2)	526	508	18	—
Foreign exchange derivative liabilities (2)	1,785	—	1,785	—

(in thousands)	August 31, 2013	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market investments (1)	$236,727	$236,727	$—	$—
Commodity derivative assets (2)	1,066	1,066	—	—
Foreign exchange derivative assets (2)	2,864	—	2,864	—
Liabilities:				
Commodity derivative liabilities (2)	1,397	1,268	129	—
Foreign exchange derivative liabilities (2)	2,170	—	2,170	—

(1) Money market investments are short-term in nature, and the value is determined by broker quoted prices in active markets. The investment portfolio mix can change each period based on the Company's assessment of investment options.

(2) Derivative assets and liabilities classified as Level 1 are commodity futures contracts valued based on quoted market prices in the London Metal Exchange or the New York Mercantile Exchange. Amounts in Level 2 are based on broker quotes in the over-the-counter market. Further discussion regarding the Company's use of derivative instruments and the classification of the assets and liabilities is included in Note 8, Derivatives and Risk Management.

Fair value of property, plant and equipment held for sale (Level 3) was $3.9 million based on appraised values at May 31, 2014. CMC does not have other assets or intangible assets measured at fair value on a non-recurring basis at May 31, 2014.

The carrying values of the Company's short-term items, including the deferred purchase price of accounts receivable, documentary letters of credit and notes payable, approximate fair value due to their short-term nature.

The carrying values and estimated fair values of the Company's financial assets and liabilities that are not required to be measured at fair value on the consolidated balance sheets are as follows:

(in thousands)	May 31, 2014		August 31, 2013	
		Fair Value		Fair Value

	Fair Value Hierarchy	Carrying Value		Carrying Value	
$400 million notes at 6.50% due July 2017 (1)	Level 2	$409,289	$445,796	$411,518	$443,646
$500 million notes at 7.35% due August 2018 (1)	Level 2	519,461	569,375	522,930	570,429
$330 million notes at 4.875% due May 2023 (1)	Level 2	330,000	325,463	330,000	298,650

(1) The fair value of the notes is calculated based on indicated market values.

NOTE 10. INCOME TAX

The Company's effective income tax rate from continuing operations for the three and nine months ended May 31, 2014 was 36.5% and 32.8%, respectively, compared with 48.6% and 38.1% for the three and nine months ended May 31, 2013, respectively. The decrease in our effective income tax rate from continuing operations was attributed to the improvement in our international segments' operating results for the three and nine months ended May 31, 2014. The Company's effective income tax rate from discontinued operations for the three and nine months ended May 31, 2014 was 32.9% and 38.9%, respectively, compared with 37.4% and 37.4% for the three and nine months ended May 31, 2013, respectively.

The Company made net payments of $12.9 million and received net refunds of $0.6 million for income taxes during the nine months ended May 31, 2014 and 2013, respectively.

The reserve for unrecognized income tax benefits related to the accounting for uncertainty in income taxes was $28.6 million and $27.4 million, exclusive of interest and penalties, as of May 31, 2014 and 2013, respectively.

The Company's policy classifies interest recognized on an underpayment of income taxes and any statutory penalties recognized on a tax position as income tax expense, and the balances at the end of a reporting period are recorded as part of the current or noncurrent reserve for uncertain income tax positions. For the three and nine months ended May 31, 2014, before any income tax benefits, the Company recorded immaterial amounts of accrued interest and penalties on unrecognized income tax benefits.

During the twelve months ending May 31, 2015, it is reasonably possible that the statute of limitations pertaining to positions taken by the Company in prior year income tax returns may lapse or that income tax audits in various taxing jurisdictions could be finalized. As a result, the total amount of unrecognized income tax benefits may decrease by approximately $18.1 million, which would reduce the provision for income taxes on earnings by an immaterial amount.

The Company files income tax returns in the United States and multiple foreign jurisdictions with varying statutes of limitations. In the normal course of business, the Company and its subsidiaries are subject to examination by various taxing authorities. The following is a summary of tax years subject to examination:

US Federal — 2009 and forward
US States — 2009 and forward
Foreign — 2006 and forward

The Company is currently under examination by the Internal Revenue Service and state revenue authorities from 2009 to 2011. Management believes the Company's recorded tax liabilities as of May 31, 2014 sufficiently reflect the anticipated outcome of these examinations.

NOTE 11. SHARE-BASED COMPENSATION PLANS

The Company's share-based compensation plans are described, and informational disclosures provided, in Note 15, Share-Based Compensation Plans, to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2013. During the nine months ended May 31, 2014 and 2013, restricted stock units ("RSUs") and performance stock units ("PSUs") totaling 1.2 million and 1.6 million, respectively, were granted at a weighted-average fair value of $16.90 and $13.44, respectively. Stock appreciation rights ("SARs") were not granted during the nine months ended May 31, 2014. The Company granted 0.2 million in SARs at a weighted average exercise price of $14.25 during the nine months ended May 31, 2013.

During the nine months ended May 31, 2014 and 2013, the Company granted 59,565 equivalent shares of cash-settled RSUs and PSUs and 234,109 equivalent shares of cash-settled RSUs, PSUs and SARs, respectively. The fair value of these cash-settled awards is remeasured each reporting period and is recognized ratably over the service period. As of May 31, 2014, the Company had 1,707,279 equivalent shares in awards outstanding. The Company expects 1,622,964 equivalent shares to vest.

In general, the RSUs and PSUs granted during fiscal 2014 will vest over a period of three years; however, certain RSUs granted during fiscal 2014 will vest over a period of four years. The RSUs granted during fiscal 2013 will vest over a period of three years. Subject to the achievement of performance targets established by the Compensation Committee of CMC's Board of Directors, the PSUs granted during fiscal 2014 and fiscal 2013 will vest after a period of three years. The SARs granted during fiscal 2013 vest ratably over a period of three years. The SARs have a contractual term of seven years.

Share-based compensation expense for the three and nine months ended May 31, 2014 of $5.3 million and $16.1 million, respectively, and for the three and nine months ended May 31, 2013 of $5.5 million and $13.5 million, respectively, is included in selling, general and administrative expenses on the Company's consolidated statements of operations.

NOTE 12. EARNINGS PER SHARE ATTRIBUTABLE TO CMC

The calculations of the basic and diluted earnings per share for the three and nine months ended May 31, 2014 and 2013 are as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands, except share data)	2014	2013	2014	2013
Net earnings attributable to CMC	$23,563	$18,964	$80,625	$73,258
Basic earnings per share:				
Shares outstanding for basic earnings per share	117,705,133	116,845,542	117,400,198	116,589,382
Basic earnings per share attributable to CMC:	$0.20	$0.16	$0.69	$0.63
Diluted earnings per share:				
Shares outstanding for basic earnings per share	117,705,133	116,845,542	117,400,198	116,589,382
Effect of dilutive securities:				
Share-based incentive/purchase plans	1,064,542	858,048	1,121,618	867,374
Shares outstanding for diluted earnings per share	118,769,675	117,703,590	118,521,816	117,456,756
Diluted earnings per share attributable to CMC:	$0.20	$0.16	$0.68	$0.62
Anti-dilutive shares not included above	1,248,330	1,726,374	1,248,330	1,726,374

All stock options and SARs expire during fiscal 2020.

CMC's restricted stock is included in the number of shares of common stock issued and outstanding, but is omitted from the basic earnings per share calculation until the shares vest.

The Company did not purchase any shares during the first nine months of fiscal 2014 and had remaining authorization to purchase 8,259,647 shares of its common stock at May 31, 2014 pursuant to its share repurchase plan.

NOTE 13. COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, the Company becomes involved in litigation, administrative proceedings and government investigations, including environmental matters. See Note 18, Commitments and Contingencies, to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2013.

On September 18, 2008, the Company was served with a class action antitrust lawsuit alleging violations of Section 1 of the Sherman Act, brought by Standard Iron Works of Scranton, Pennsylvania, against nine steel manufacturing companies, including CMC. The lawsuit, filed in the United States District Court for the Northern District of Illinois, alleged that the defendants conspired to fix, raise, maintain and stabilize the price at which steel products were sold in the United States by artificially restricting the supply of such steel products. The lawsuit, which purported to be brought on be