



WORLD STEEL DYNAMICS

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Dear Global Steel Industry Participant:

Re: Pat's "Pricing Stratagems"

I joined World Steel Dynamics last October after 30 years at Emerson, including the last 20 in charge of its global steel buying activities (most recently as VP Global Steel).

At WSD, my efforts will be channeled as follows:

- **Provide a "Steel Stratagems" consulting service to no more than 10 steel buyers or sellers.**

Here are some of the details of the service:

- ✓ In-depth and hands-on advice on steel buying or selling activities.
- ✓ Stratagems and tactics for negotiations.
- ✓ Monitoring and assessment of results.
- ✓ Direct interaction via regular face-to-face meetings.
- ✓ Continuous communication with key members of management.
- ✓ Client benefits include: a) better prices; b) locking in of spreads (i.e., cost/revenue stability); c) lower inventory and payables optimization; d) lower internal processing cost.
- ✓ I become, in effect, an off-site staff member dedicated to achieving outstanding performance for your company.

Others items:

- ✓ The base fee is \$25,000 per quarter.
- ✓ No overlaps or conflicts of interest between the steel buyers or sellers receiving this service.
- ✓ Client names and our activities held in total confidence.

My skill sets, experience and achievements that I believe qualify me to provide this service include:

- ✓ A distinguished track record of enhancing buying performance in a variety of geographical markets and for multiple steel products.
- ✓ Responsible for supplier development, steel product improvements, long-term relationship management, global market trend analysis, adaptation of new contracting methods (including hedge buying) and managing a global steel buying organization.

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- ✓ High level relationships with many people in the steel industry including steel mills, steel traders and distributors, other steel users, equipment vendors, and industry consultants.
 - ✓ Development and implementation of stratagems to enhance the position of a company in the marketplace.
 - ✓ Employed financial hedging instruments to reduce price risk.
 - ✓ A passion for creative problem solving – always needed in today’s changing steel industry and globalizing economy.
- **Publish “think pieces” under the heading “Pat’s Pricing Stratagems.”** These thought-provoking articles will provide new insights into evolving steel market trends.
 - **Educate steel buyers and sellers on how to apply “financial tools” to meet their specific needs.**

Ongoing discussions and training sessions with steel buyers and sellers will include:

- ✓ How to financially hedge physical steel contracts that have indexed pricing.
- ✓ Financial hedging Stratagems.
- ✓ Confidential positioning. No need to disclose your market opinion.
- ✓ Flexibility of commitment timing. The time that prices or revenues are locked in can be decoupled from the physical contract timing.
- ✓ Cost/price stability. Financial hedges allow the averaging of cost positions over time and are often more financially secure than actual commercial transactions.

Some of these efforts will be coordinated with those of the New York Mercantile Exchange (NYMEX), with whom WSD has signed a Letter of Intent to use the *SteelBenchmarkTM* prices. The NYMEX plans to offer the USA hot-rolled band benchmark price on its ClearPort clearing system in the near future.

In summary, we look forward to having an opportunity to work with you.

Best regards,

Pat

Patrick A. McCormick