

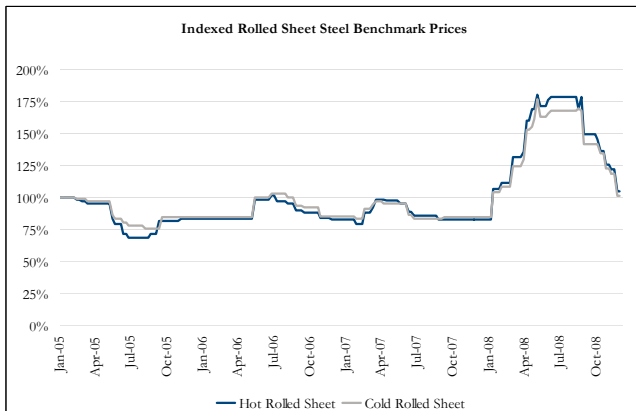
**December 31, 2008: Metals Industry Trends**

The onset of a global recession, constricted credit markets, and pullbacks in capital spending contributed to a steep decline throughout all sectors of the metals industry in the second half of 2008. Materials prices that experienced record highs in the first half of the year were beaten down by a faltering global economy, a strengthening dollar, and panic in both global credit and equity markets. Producers throughout the world announced production cuts in the second half of 2008 in response to high inventories and dramatically decreased demand. With nearly 40% of the world's steel capacity sitting idle, the increased power of steel buyers will likely keep prices depressed until inventories return to normal. Additionally, a strong dollar will likely promote increased imports, adversely affecting domestic capacity utilization.

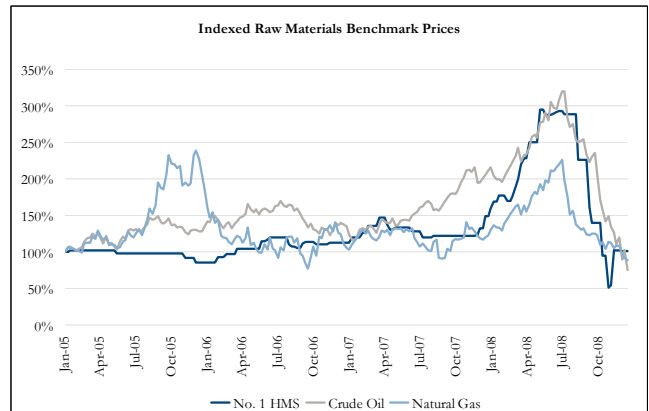
The stock prices of public companies in the industry were down as much as 71% in 2008, whereas the S&P 500 index declined approximately 37%. Hardest hit were integrated producers – down over 71% for 2008 – with Service Centers and Scrap & Raw Materials Providers also struggling, both down over 45% for 2008. Mini-Mills remained the most defensive, but still posted losses of 41% in 2008.

M&A activity slowed significantly in the second half of 2008. Clogged credit markets forced financial buyers to commit higher equity contributions to transactions, forcing down transaction values and increasing buyers' selectivity. Strategic participants with strong balance sheets increased their activity, taking advantage of the depressed valuations and liquidity needs of targets in a difficult operating environment.

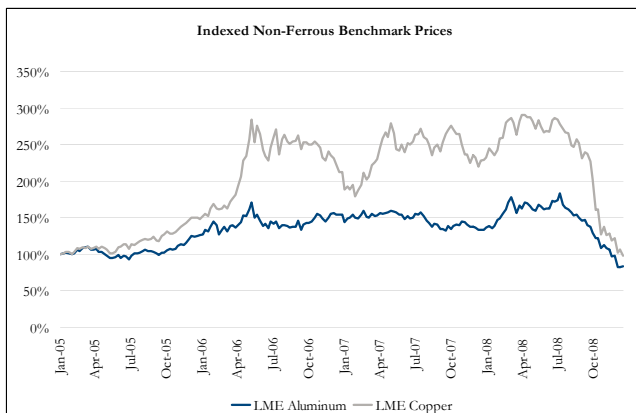
**Pertinent Market Statistics**



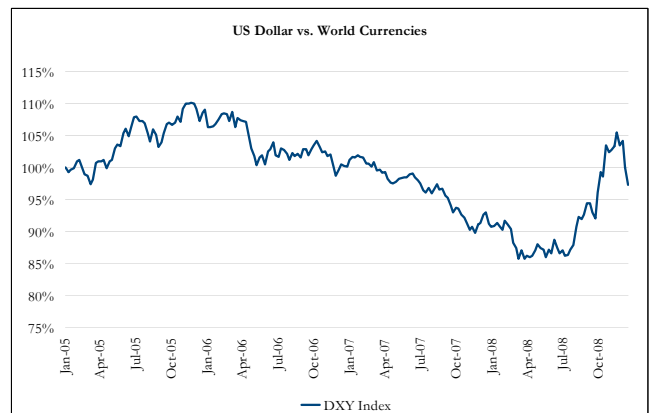
Source: Metal Bulletin as of 12/31/08.



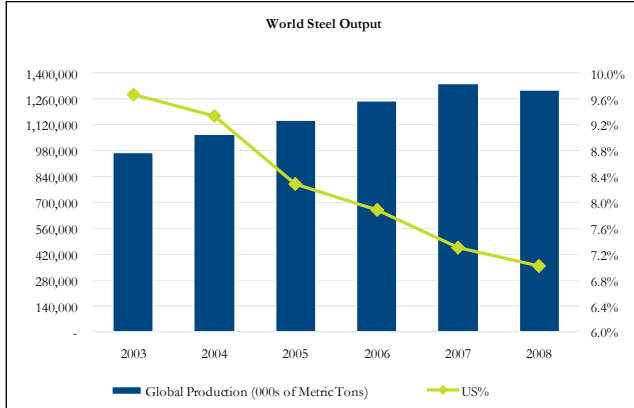
Source: Metal Bulletin and NYMEX as of 12/31/08.



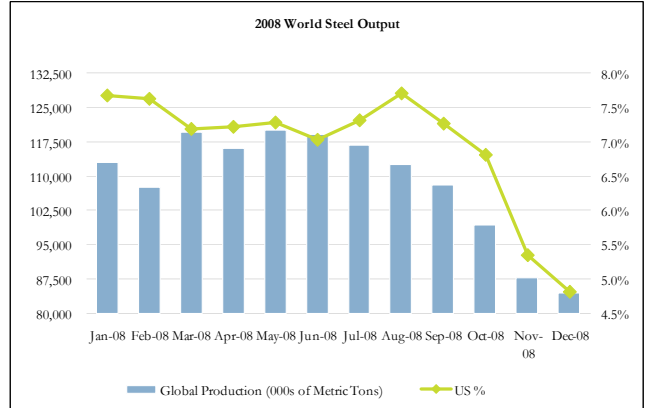
Source: LME as of 12/31/08.



Source: Bloomberg as of 12/31/08. DXY Index averages the exchange rates between the USD and the euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc.

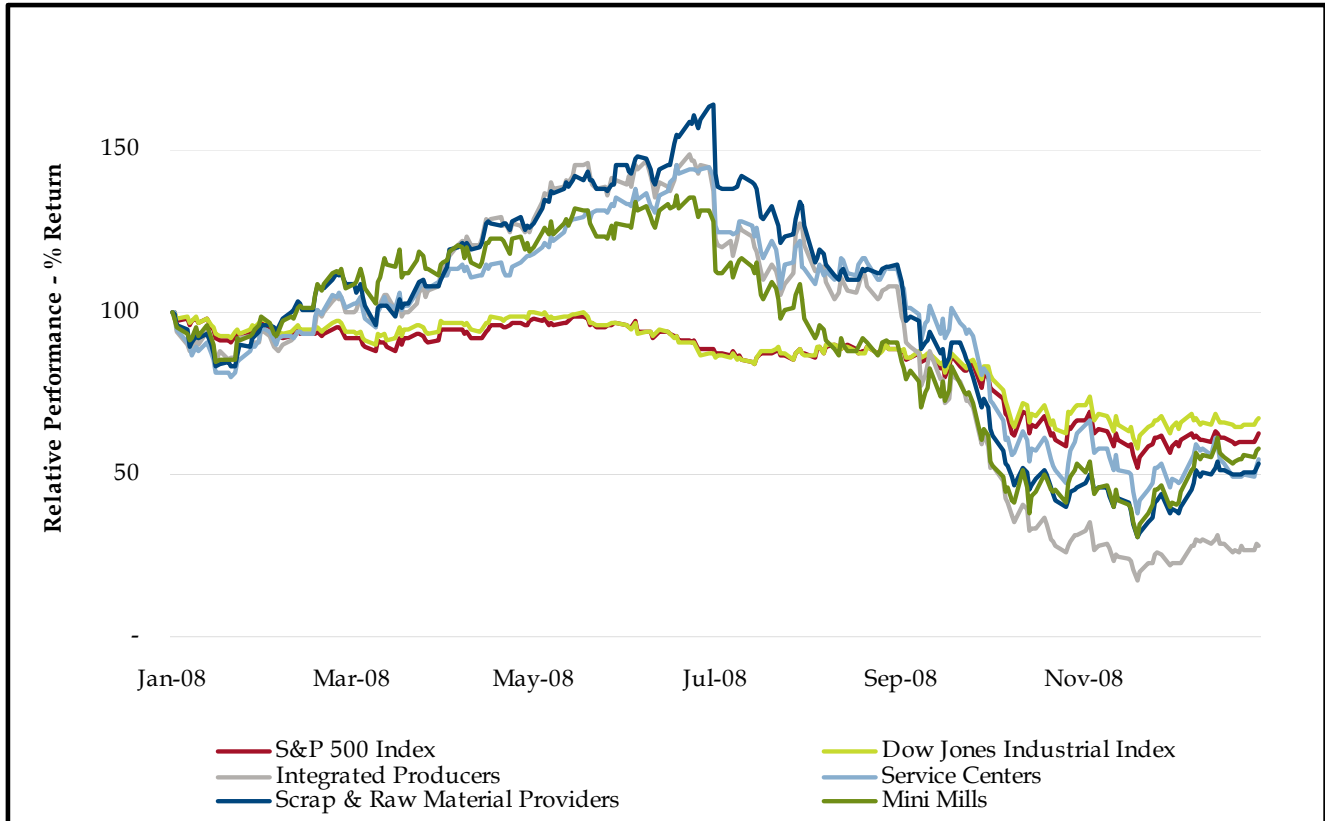


Source: World Steel Association as of 12/31/08.



Source: World Steel Association as of 12/31/08.

**2008 Stock Price Performance**



Source: CapitalIQ, as of 12/31/08.

## Metals Industry Trading Comparables

(\$ in millions, except per share data)

| Scrap and Raw Material Providers    | Ticker  | 31-Dec-08   |        | % 52-Week  |            | LTM         |          |          | EV / LTM |        | LTM P/E | Price / Book |
|-------------------------------------|---------|-------------|--------|------------|------------|-------------|----------|----------|----------|--------|---------|--------------|
|                                     |         | Stock Price | High   | Mkt Cap    | Ent Val    | Revenue     | EBITDA   | NI       | Revenue  | EBITDA |         |              |
| Commercial Metals Co.               | CMC     | \$ 11.87    | 29.82% | \$ 1,331.4 | \$ 2,737.3 | \$ 10,684.2 | \$ 541.3 | \$ 224.8 | 0.3 x    | 5.1 x  | 6.8 x   | 0.9 x        |
| Industrial Services of America Inc. | IDS     | 5.45        | 27.95% | 19.5       | 27.8       | 111.0       | 9.6      | 4.6      | 0.3 x    | 2.9 x  | 4.3 x   | 1.3 x        |
| Metalico Inc.                       | MEA     | 1.55        | 8.22%  | 56.5       | 224.6      | 867.2       | 68.7     | 26.4     | 0.3 x    | 3.3 x  | 2.2 x   | 0.3 x        |
| Schnitzer Steel Industries Inc.     | SCHN    | 37.65       | 31.76% | 1,051.8    | 1,225.6    | 3,536.2     | 352.3    | 190.0    | 0.3 x    | 2.7 x  | 4.4 x   | 1.1 x        |
| Sims Metal Management Limited       | ASX:SGM | 12.09       | 40.70% | 2,198.7    | 2,451.9    | 7,331.1     | 639.9    | 414.0    | 0.5 x    | 4.8 x  | 6.6 x   | 1.1 x        |
| <b>Sector Median</b>                |         |             |        | 29.82%     |            |             |          |          | 0.3 x    | 3.3 x  | 4.4 x   | 1.1 x        |

| Service Centers               | Ticker  | 31-Dec-08   |        | % 52-Week |          | LTM        |         |         | EV / LTM |        | LTM P/E | Price / Book |
|-------------------------------|---------|-------------|--------|-----------|----------|------------|---------|---------|----------|--------|---------|--------------|
|                               |         | Stock Price | High   | Mkt Cap   | Ent Val  | Revenue    | EBITDA  | NI      | Revenue  | EBITDA |         |              |
| AM Castle & Co.               | CAS     | \$ 10.83    | 27.45% | \$ 245.3  | \$ 378.1 | \$ 1,501.6 | \$ 89.6 | \$ 43.2 | 0.3 x    | 3.8 x  | 5.8 x   | 0.6 x        |
| Gibraltar Industries, Inc.    | ROCK    | 11.94       | 48.48% | 358.0     | 759.3    | 1,390.6    | 139.0   | 44.7    | 0.5 x    | 5.4 x  | 7.9 x   | 0.6 x        |
| Olympic Steel Inc.            | ZEUS    | 20.37       | 26.01% | 221.3     | 308.4    | 1,209.7    | 123.1   | 71.5    | 0.3 x    | 2.5 x  | 3.1 x   | 0.7 x        |
| Reliance Steel & Aluminum Co. | RS      | 19.94       | 25.42% | 1,461.6   | 3,699.4  | 8,281.7    | 961.1   | 496.4   | 0.4 x    | 3.8 x  | 3.0 x   | 0.6 x        |
| Russel Metals Inc.            | TSX:RUS | 15.48       | 60.59% | 924.1     | 942.5    | 2,946.0    | 356.8   | 212.1   | 0.4 x    | 3.1 x  | 5.6 x   | 1.2 x        |
| Worthington Industries, Inc.  | WOR     | 11.02       | 42.16% | 868.5     | 1,251.3  | 3,253.1    | 133.9   | (23.9)  | 0.4 x    | 6.0 x  | 12.2 x  | 1.2 x        |
| <b>Sector Median</b>          |         |             |        | 34.80%    |          |            |         |         | 0.4 x    | 3.8 x  | 5.7 x   | 0.6 x        |

| Integrated Producers          | Ticker   | 31-Dec-08   |        | % 52-Week  |            | LTM        |            |          | EV / LTM |        | LTM P/E | Price / Book |
|-------------------------------|----------|-------------|--------|------------|------------|------------|------------|----------|----------|--------|---------|--------------|
|                               |          | Stock Price | High   | Mkt Cap    | Ent Val    | Revenue    | EBITDA     | NI       | Revenue  | EBITDA |         |              |
| AK Steel Holding Corp.        | AKS      | \$ 9.32     | 12.75% | \$ 1,044.0 | \$ 1,267.7 | \$ 7,877.5 | \$ 1,067.8 | \$ 541.3 | 0.2 x    | 1.2 x  | 2.0 x   | 0.7 x        |
| Arcelor Mittal                | MT       | 23.76       | 25.07% | 32,401.3   | 69,056.2   | 130,840.0  | 26,517.0   | 14,466.0 | 0.5 x    | 2.5 x  | 2.6 x   | 0.5 x        |
| Joint Stock Company Severstal | RTS:CHMF | 3.25        | 11.67% | 3,275.0    | 7,226.8    | 22,093.6   | 5,586.3    | 3,654.2  | 0.3 x    | 1.3 x  | 1.3 x   | 0.3 x        |
| United States Steel Corp.     | X        | 37.20       | 18.98% | 4,324.8    | 6,912.8    | 23,787.0   | 3,227.0    | 1,857.0  | 0.3 x    | 2.1 x  | 2.7 x   | 0.7 x        |
| <b>Sector Median</b>          |          |             |        | 15.87%     |            |            |            |          | 0.3 x    | 1.7 x  | 2.3 x   | 0.6 x        |

| Mini-Mill Producers     | Ticker | 31-Dec-08   |        | % 52-Week  |            | LTM         |          |          | EV / LTM |        | LTM P/E | Price / Book |
|-------------------------|--------|-------------|--------|------------|------------|-------------|----------|----------|----------|--------|---------|--------------|
|                         |        | Stock Price | High   | Mkt Cap    | Ent Val    | Revenue     | EBITDA   | NI       | Revenue  | EBITDA |         |              |
| Commercial Metals Co.   | CMC    | \$ 11.87    | 29.82% | \$ 1,331.4 | \$ 2,737.3 | \$ 10,684.2 | \$ 541.3 | \$ 224.8 | 0.3 x    | 5.1 x  | 6.8 x   | 0.9 x        |
| Gerdau AmeriSteel Corp. | GNA    | 6.06        | 30.62% | 2,624.0    | 5,386.8    | 8,826.5     | 1,755.1  | 883.4    | 0.6 x    | 2.9 x  | 2.9 x   | 0.6 x        |
| Nucor Corporation       | NUE    | 46.20       | 55.29% | 14,504.5   | 16,588.2   | 23,909.1    | 4,115.7  | 2,089.9  | 0.7 x    | 4.0 x  | 6.3 x   | 1.8 x        |
| Steel Dynamics Inc.     | STLD   | 11.18       | 27.32% | 2,031.3    | 4,894.1    | 8,321.1     | 1,322.6  | 643.9    | 0.6 x    | 3.6 x  | 3.5 x   | 1.2 x        |
| <b>Sector Median</b>    |        |             |        | 30.22%     |            |             |          |          | 0.6 x    | 3.8 x  | 4.9 x   | 1.0 x        |
| <b>Overall Median</b>   |        |             |        | 27.95%     |            |             |          |          | 0.3 x    | 3.3 x  | 4.3 x   | 0.7 x        |

Source: CapitalIQ; reflects publicly available data as of 12/31/08.

### Selected 2008 Metals Industry Transactions

(\$ in millions)

| Announcement Date | Close Date | Target  | Buyers/Investors                                    | Sector                                    | Transaction Value | Transaction Value / Revenue | LTM EBITDA |
|-------------------|------------|---|---|---|-------------------|-----------------------------|------------|
| 22-Dec-08         | 22-Dec-08  | DynaBil Industries, Inc.                            | Ducommun AeroStructures, Inc.                       | Processing and distribution               | \$ 46.5           | -                           | -          |
| 19-Dec-08         | Pending    | Aegis Metal Framing, LLC                            | MiTek Industries, Inc.                              | Processing and distribution               | 24.0              | -                           | -          |
| 5-Dec-08          | 5-Dec-08   | Stainless Tubular Products, Inc.                    | TW Metals, Inc.                                     | Processing and distribution               | N/A               | -                           | -          |
| 17-Nov-08         | Pending    | Hackney Ladish, Inc.                                | Precision Castparts Corp.                           | Processing and distribution               | N/A               | -                           | -          |
| 14-Nov-08         | 14-Nov-08  | Gentek, Inc. CableTech Global Cable & Wire business | Southwire Company                                   | Processing and distribution               | 9.5               | -                           | -          |
| 31-Oct-08         | 31-Oct-08  | M&M Metals, Inc.                                    | Alexandria Extrusion Company                        | Processing and distribution               | N/A               | -                           | -          |
| 28-Oct-08         | 28-Oct-08  | LaFarge & Egge, Inc.                                | Graham Capital Group, LLC                           | Processing and distribution               | N/A               | -                           | -          |
| 3-Oct-08          | 11-Nov-08  | SCM Metal Products, Inc.                            | Platinum Equity, LLC                                | Production                                | 47.3              | 0.4 x                       | -          |
| 30-Sep-08         | 30-Sep-08  | Coiners' Scrap Iron & Metal Inc.                    | Cycle Systems, Inc.                                 | Scrap / raw material processing           | N/A               | -                           | -          |
| 22-Sep-08         | 22-Sep-08  | Weinert Recycling Co Inc.                           | Sims Group Ltd.                                     | Scrap / raw material processing           | N/A               | -                           | -          |
| 18-Sep-08         | Pending    | Ponce Resources Inc.                                | Schnitzer Steel Industries, Inc.                    | Scrap / raw material processing           | N/A               | -                           | -          |
| 5-Sep-08          | 9-Oct-08   | LaBarge Pipe & Steel Company                        | McJunkin Red Man Corporation                        | Processing and distribution               | 205.0             | -                           | -          |
| 4-Sep-08          | 31-Oct-08  | Beta Steel  | OJSC Novolipetsk Steel                              | Production                                | 350.0             | 1.1 x                       | 16.7 x     |
| 5-Aug-08          | 27-Aug-08  | American Compressed Steel, Inc.                     | Advantage Metals Recycling                          | Scrap / raw material processing           | N/A               | -                           | -          |
| 5-Aug-08          | 5-Aug-08   | Victoria Recycling L. P.                            | David J. Joseph Co.                                 | Scrap / raw material processing           | N/A               | -                           | -          |
| 4-Aug-08          | 4-Aug-08   | Three "pull apart" auto scrap businesses            | Schnitzer Steel Industries, Inc.                    | Scrap / raw material processing           | N/A               | -                           | -          |
| 15-Jul-08         | 29-Aug-08  | Reinforcing Post-Tensioning Services, Inc.          | Commercial Metals Company                           | Rebar fabrication                         | N/A               | -                           | -          |
| 1-Jul-08          | 1-Jul-08   | Five coating and rebar companies                    | Commercial Metals Company                           | Rebar fabrication                         | N/A               | -                           | -          |
| 16-Jun-08         | Pending    | Bayou Steel Corp.                                   | ArcelorMittal                                       | Production                                | 475.0             | 1.4 x                       | -          |
| 16-Jun-08         | 4-Aug-08   | PNA Group, Inc.                                     | Reliance Steel & Aluminum Co.                       | Processing and distribution               | 1,095.5           | 0.6 x                       | 9.6 x      |
| 12-Jun-08         | 26-Aug-08  | Ambassador Steel Corporation                        | Harris Steel Group, Inc.                            | Rebar fabrication                         | 321.0             | -                           | -          |
| 9-Jun-08          | 9-Jun-08   | Evans & Mondon Ltd.                                 | Sims Group, Ltd.                                    | Recycling and industrial dismantling      | N/A               | -                           | -          |
| 9-Jun-08          | 9-Jun-08   | Bakermet Inc.                                       | ArcelorMittal                                       | Scrap / raw material processing           | N/A               | -                           | -          |
| 28-May-08         | 28-May-08  | Three North Carolina scrap yards                    | Recycle South LLC                                   | Scrap / raw material processing           | N/A               | -                           | -          |
| 26-May-08         | 26-May-08  | Pacific Coast Recycling, LLC                        | SA Recycling LLC                                    | Scrap / raw material processing           | N/A               | -                           | -          |
| 20-May-08         | 4-Aug-08   | Esmark, Inc.  | Joint Stock Company Severstal                       | Processing and distribution; production   | 1,212.8           | 1.0 x                       | 40.1 x     |
| 19-May-08         | 3-Jun-08   | Strugis Iron & Metal                                | Steel Dynamics, Inc.                                | Scrap / raw material processing           | 42.0              | -                           | -          |
| 16-May-08         | 7-Jul-08   | WCI Steel   | OAO Severstal                                       | Production                                | 402.7             | 0.5 x                       | 17.0 x     |
| 14-May-08         | 8-Jul-08   | Namasco Ltd.  | Samuel, Son & Co. Ltd.                              | Service center                            | N/A               | -                           | -          |
| 9-May-08          | 9-May-08   | Joseph Simon & Sons, Inc.                           | Graham Capital Group, LLC                           | Scrap / raw material processing           | N/A               | -                           | -          |
| 8-May-08          | 28-May-08  | Recycle South LLC                                   | OmniSource Corporation                              | Scrap / raw material processing           | 502.9             | 0.8 x                       | -          |
| 29-Apr-08         | 29-Apr-08  | Rebar Service & Supply Co.                          | Commercial Metals Company                           | Rebar fabrication                         | N/A               | -                           | -          |
| 10-Apr-08         | 10-Apr-08  | Sunbelt Steel Texas, Inc.                           | Freestone Partners                                  | Processing and distribution               | N/A               | -                           | -          |
| 4-Apr-08          | 16-May-08  | Taylor Equipment & Machine Tool Corporation         | Namasco Corporation                                 | Specialty plate distribution / processing | N/A               | -                           | -          |
| 4-Apr-08          | 4-Apr-08   | SCI Recycling Service                               | Alter Trading Corp.                                 | Scrap / raw material processing           | N/A               | -                           | -          |
| 2-Apr-08          | 2-Apr-08   | Ocala Recycling, Inc.                               | Blaze Recycling & Metals, Inc.                      | Scrap / raw material processing           | N/A               | -                           | -          |
| 27-Mar-08         | 1-May-08   | The Snyder Group, Inc.                              | Metalico Inc.                                       | Scrap / raw material processing           | 77.6              | 0.7 x                       | 4.2 x      |
| 21-Mar-08         | 7-May-08   | Sparrows Point Plant                                | Joint Stock Company Severstal                       | Production                                | 810.0             | -                           | 32.4 x     |
| 19-Mar-08         | 19-Mar-08  | Metal Recycling Services Inc.                       | Nucor Corp.   | Scrap / raw material processing           | N/A               | -                           | -          |
| 14-Mar-08         | 12-Jun-08  | IPSCO, Inc.   | Evrz Group S.A.                                     | Production                                | 4,910.2           | 1.2 x                       | 4.9 x      |
| 14-Mar-08         | 14-Mar-08  | S & S Steel Warehouse, Inc.                         | PNA Group, Inc.                                     | Service center                            | 44.5              | -                           | -          |
| 7-Mar-08          | 7-Mar-08   | Niles Iron & Metal LLC and Mercer Company           | Liberty Iron & Metal Co., Inc. and Scholz AG        | Scrap / raw material processing           | N/A               | -                           | -          |
| 3-Mar-08          | 3-Mar-08   | Slippery Rock Towing & Salvage                      | PSC Metals, Inc.                                    | Scrap / raw material processing           | N/A               | -                           | -          |
| 20-Feb-08         | 20-Feb-08  | Midwest Steel and Alloy Inc.                        | AMG Resources Corp.                                 | Scrap / raw material processing           | N/A               | -                           | -          |
| 19-Feb-08         | 2-Apr-08   | Galamba Metals Group, LLC                           | David J. Joseph Co.                                 | Scrap / raw material processing           | N/A               | -                           | -          |
| 19-Feb-08         | 19-Feb-08  | TAD Metals, Inc.                                    | O'Neal Steel, Inc.                                  | Processing and distribution               | N/A               | -                           | -          |
| 12-Feb-08         | 1-Apr-08   | Century Steel, Inc.                                 | Pacific Coast Steel, Inc. (Gerdau Ameristeel Corp.) | Rebar fabrication                         | 151.5             | -                           | -          |
| 12-Feb-08         | 12-Feb-08  | Camalloy, Inc.                                      | Republic Financial Corp.                            | Service center                            | N/A               | -                           | -          |
| 8-Feb-08          | 3-Mar-08   | David J. Joseph Company                             | Nucor Corp.   | Scrap / raw material brokerage            | 1,440.0           | 0.2 x                       | 7.3 x      |
| 1-Feb-08          | 1-Feb-08   | J.T. Knight   | Schnitzer Steel Industries, Inc.                    | Scrap / raw material processing           | N/A               | -                           | -          |
| 8-Jan-08          | 8-Jan-08   | ProTrade Group LLC                                  | Interseroh AG                                       | Scrap / raw material processing           | N/A               | -                           | -          |

Source: CapitalIQ and Thomson Financial as of 12/31/08.



## Market Update *Metals Industry*

This newsletter is a periodic compilation of certain economic and corporate information, as well as completed and announced merger and acquisition activity. Information contained in this newsletter should not be construed as a recommendation to sell or buy any security. Any reference to or omission of any reference to any company in this newsletter should not be construed as a recommendation to buy, sell or take any other action with respect to any security of any such company. We are not soliciting any action with respect to any security or company based on this newsletter. This newsletter is published solely for the general information of clients and friends of Morgan Joseph & Co. Inc. It does not take into account the particular investment objectives, financial situation, or needs of individual recipients. Certain transactions, including those involving early stage companies, give rise to substantial risk and are not suitable for all investors. This newsletter is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Prediction of future events is inherently subject to both known and unknown risks, and other factors that may cause actual results to vary materially. We are under no obligation to update the information contained in this newsletter. We and our affiliates and related entities, partners, principals, directors, and employees, including persons involved in the preparation or issuance of this newsletter, may from time to time have long and short positions in, and buy and sell, the securities, derivatives (including options) thereof, of companies mentioned herein. The companies mentioned in this newsletter may be clients of Morgan Joseph & Co. Inc. The decision to include any company in this newsletter is unrelated in all respects to any service Morgan Joseph & Co. Inc. may provide to such company. This newsletter may not be copied or reproduced in any form, or redistributed without the prior written consent of Morgan Joseph & Co. Inc.

### **About Morgan Joseph & Co. Inc.**

Headquartered in New York City, Morgan Joseph & Co. Inc. is a full service investment banking firm with over 140 employees and eleven offices across the United States dedicated to serving middle market companies. The firm's primary focus is on providing financial advisory and capital raising services in the U.S., Asia and Europe. Our services include mergers and acquisitions advice, restructuring advice, private placements and public offerings of debt and equity. For its institutional investor clients, Morgan Joseph provides a full range of sales and execution services, including equity research and specialized reports.

We differentiate ourselves by the depth and breadth of experience of our senior bankers. Taken together with the firm's range of capabilities, Morgan Joseph is committed to delivering the highest standard of service available to middle market companies. Commitment to our clients is the cornerstone of our firm and our goal is to establish long-term relationships that help our clients reach new plateaus.

For additional information, please contact:

### **Morgan Joseph & Co. Inc.**

[www.morganjoseph.com](http://www.morganjoseph.com)

---

102 Woodmont Boulevard, Suite 450  
Nashville, TN 37205

---

737 North Michigan Avenue, Suite 1210  
Chicago IL 60611

---

Frank A. McGrew IV  
*Managing Director*  
*Head of Metals Group*  
615.238.2308

Donny H. Lau  
*Vice President*  
615.238.2318

Brian J. Dettmann  
*Managing Director*  
312.284.2501

[fmcgrew@morganjoseph.com](mailto:fmcgrew@morganjoseph.com)

[dlau@morganjoseph.com](mailto:dlau@morganjoseph.com)

[bdettmann@morganjoseph.com](mailto:bdettmann@morganjoseph.com)