

March 1<sup>st</sup>, 2010

Valued Klein Steel customers,

Since our last customer update ten months ago, we have all been challenged with the economic conditions. Together, we weathered a collapse in commodity prices and a two-year global recession. Based on feedback from last month's Metal Service Center Institute annual Carbon Conference, the experts generally agree that the manufacturing sector is on the rebound, we hit peak unemployment back in October 2009, and 2010 will be a transition year. We will probably not achieve full recovery until 2011 or 2012. We are definitely not out of the woods yet, but are experiencing an increase in business volume.

2010 will most likely see steady improvement, but there is no doubt that New York State and Federal economic policies are making it more difficult to grow our businesses and create jobs. We well understand that the private sector will drive the recovery--that economic recovery creates jobs, not the other way around. To that end, initiatives like Unshackle Upstate are important for all of us. We encourage all our customers to go to [www.unshackleupstate.com](http://www.unshackleupstate.com) to be better informed and to join the Klein Steel team in the fundamental struggle to improve the economic conditions in New York State.

Signs to look for that we are truly emerging from the recession include loosening credit, increasing new home sales, a rising global purchasing managers' index, and rising commodity prices. The immediate indicators for our companies will be increased quoting, more order bookings, and higher profits. We are beginning to see indicators of economic improvement and we at Klein Steel have taken a "glass is half full" approach with a commitment to emerge from the recession profitable with more market share. We have taken the appropriate steps to balance revenue and expenses, while maintaining the integrity of our team. Our biggest opportunity remains customer satisfaction and to that end, Klein Steel is committed to the principles that have brought us this far--the best inventory in the region, quality metals processing, and on-time delivery second to none. Our waterjet, laser, plasma and oxy plate cutting, milling, sawing, and shearing processing capabilities are the best in Upstate New York. Our Kasto automatic storage and retrieval system is the engine behind our distribution power and a one-of-a-kind capability in our region.

In the past several months, metals pricing appears to be on the rebound. In order to keep you informed and empowered to make better business decisions, allow me to lay out recent pricing trends in our industry.

- **Scrap.** Scrap yard volume is down 40 percent from last year. The price of carbon scrap rose to \$160/ton in late January, and has been holding at \$140/ton since. There may be an uptick in price in March, but this may or may not hold. The unknowns are the weather, reduced scrap generating business, and the foreign factor. Bottom line, scrap pricing is uncertain.

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- Copper. The price of copper has been trending up for the past 12 months. In the past, copper has been a leading indicator and may signal a return to more normal pricing.
- Metals pricing.
  - Mini-mill product prices increased \$2.50/cwt in November 2009, and again by \$2.00/cwt in February 2010.
  - Carbon plate prices increased \$2.00/cwt in late February 2010.
  - Tubing prices increased \$3.00/cwt in January 2010.
  - Rebar prices increased \$3.00/cwt in January 2010.
  - Wide flange beam prices increased \$2.00/cwt in February 2010.
  - Cold finish bar surcharge increased \$2.50/cwt in January 2010.
  - Expanded metal, bar grating, and related product prices increased 8 percent in December 2009, and again by 8 percent in March 2010.
- Availability. The reduction of steel orders and other products lengthens lead times. It is tougher to fully load trucks or rail cars. Trucking companies are challenged to efficiently move freight with too many dead head loads.

Through this period of rebuilding the strength of our businesses, Klein Steel team members are committed to complete customer satisfaction. We will continue to do our best to maintain the inventory you need and control our costs. Our strong and enduring mill relationships over our 37 year history are important to our collective success. To that end, our sales team will work to keep you informed. We very much value our partnership and appreciate your continued business. Your success is our success!

Best regards,



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