

METAL RECYCLING SECTOR REVIEW

SEPTEMBER 2010

EUREKA CAPITAL MARKETS, LLC, MEMBER FINRA/SIPC

MARKET TRENDS

While M&A activity improves, we remain cautious about the outlook

- Merger & Acquisition (“M&A”) activity has shown signs of improvement over the past year. 28 transactions were announced in the first eight months of 2010 compared to eight transactions during the same period in 2009. However, we remain cautious about M&A volume in the near future. Industrial production flattened in June after the expiration of a government stimulus package, and domestic construction and new home sales have been sluggish after the expiration of a government tax credit. The European debt crisis and high unemployment figures cast doubt on the strength of the global economic recovery.

Consolidation in scrap recycling continues

- Despite the slow economic recovery, the trend towards consolidation in scrap recycling remains a strong driver, and industry participants continue to make add-on acquisitions. Alter Trading Corporation purchased Reliable Recycling, Inc., a ferrous and non-ferrous recycling firm with locations in Wisconsin and Michigan. Schnitzer Steel Industries, Inc. acquired Golden Steel & Recycling, Inc. in Montana, and The David J. Joseph Company (now a division of Nucor) acquired Ocala Recycling, Inc. in Florida.

US raw steel production up 54.9% in 2010 but still well below 2008 levels

- For the first eight months of 2010, U.S. steel production was 58.6 million tons at an average capacity utilization of 70.7%, up 54.9% from the same period last year, when mills produced 37.8 million tons at an average capacity utilization rate of 46.2%. An important point to note is that these production levels are significantly below 2008.

Ferrous scrap exports declined primarily due to fall-off in demand from China and India

- Through the first half of 2010, U.S. exports of ferrous scrap were down 14.6% versus the same period last year. China has accounted for much of this year’s slower pace with a 56.2% reduction from last year. Exports to India fell by a similar margin, and Turkey fell by 12.4%. There were a few bright spots for exporters with increases in volume to South Korea and Taiwan.

Strong nonferrous scrap exports

- Driven by strong demand in the aluminum, copper and zinc markets, U.S. exports of nonferrous scrap were up 17.6% in the first six months of 2010 versus the same period last year. The top five destinations, China, South Korea, Canada, Taiwan and Mexico, accounted for roughly 90% of volume.

Weak export market for stainless steel scrap

- U.S. exports of stainless steel scrap were down 27.1% for the first half of 2010 versus the same period in 2009, due primarily to reductions in demand from South Korea, China, and India. Taiwan remains the largest importer with an increase in volume of 8.6%.

MARKET TRENDS (CONT.)

E-waste regulation adopted by more states

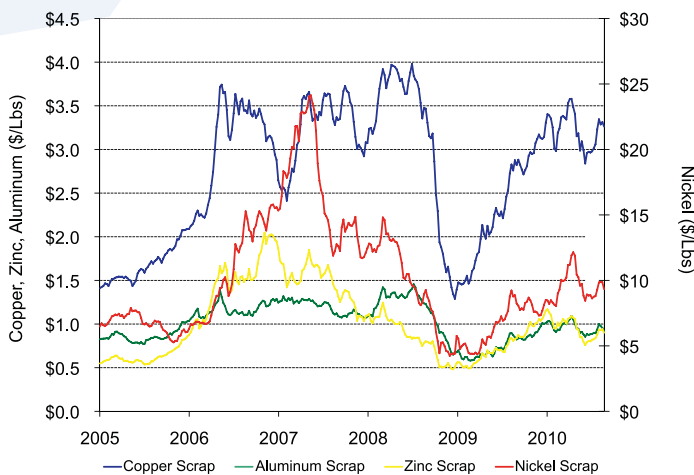
- North Carolina passed a law in early July that requires manufacturers to set up recycling programs for their discarded products. 23 states now have some form of electronic waste legislation. Most of these states have producer responsibility laws, the lone exception being California with a consumer advanced recycling fee. A further nine states have pending producer responsibility laws.

Growing e-waste opportunity in emerging markets

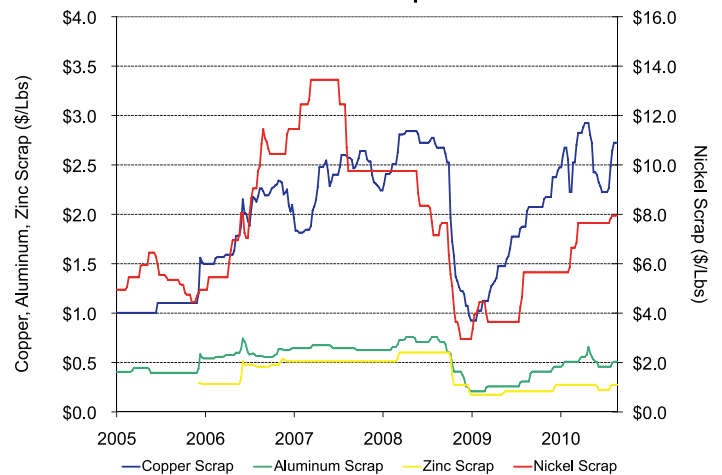
- In April, India's government issued a similar rule that enforces manufacturer recycling accountability throughout the lifecycle of a product. Dubbed E-Waste Rules 2010, this mandate is the first of its kind for a developing nation. Other developing countries will soon need to institute formal recycling programs of their own. It is estimated that e-waste in countries such as China and South Africa will increase by up to 400% over the next 10 years.

SELECTED BASE METAL AND SCRAP PRICES

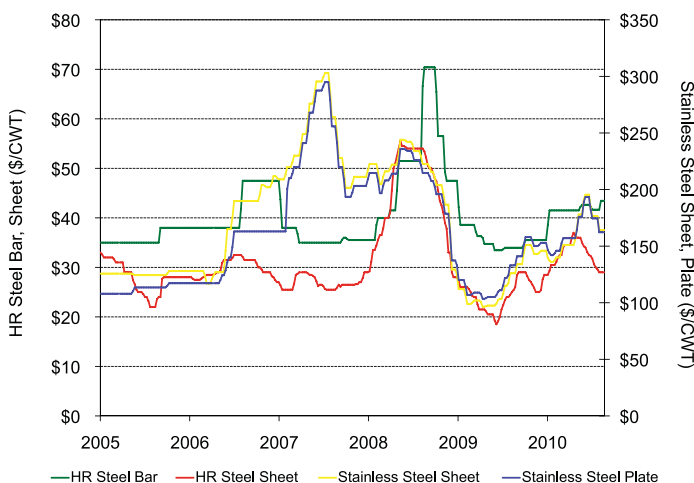
Base Metal Prices



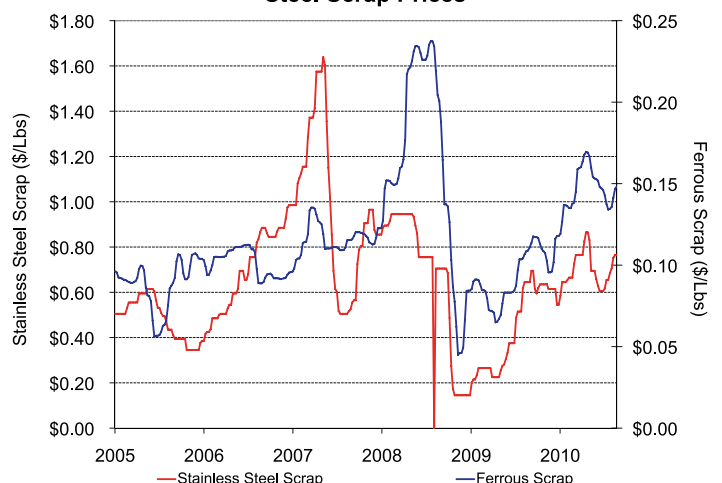
Base Metal Scrap Prices



Steel Prices



Steel Scrap Prices



2010 MERGER AND ACQUISITION TRANSACTIONS

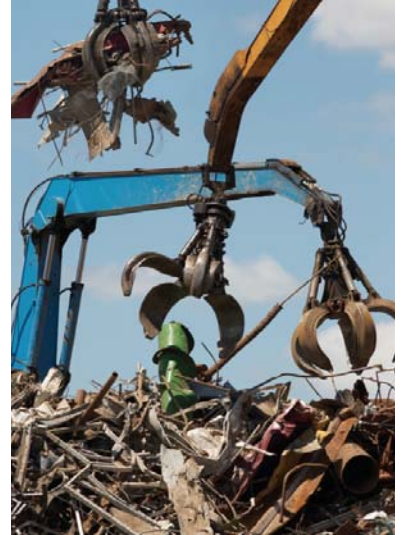
Date Announced	Target/Parent	Acquirer	Target Business Description	Deal Size (\$ in mm)
8/26/10	Changzhou Xinzhong Precision Alloy Forging Products Co., Ltd.	China Steel Chemical Corp	Non-ferrous metal processor based in Changzhou, China	\$30.52
8/18/10	Liberty Scrap Metal Inc.	Upstate Shredding, LLC	Scrap metal recycler based in Liberty, New York	-
8/16/10	OOO Ussuriyskaya Scrap Metal Company	OJSC Novolipetsk Steel	Scrap metal recycler based in Primorsky kray, Russian Federation	-
8/4/10	Wincanton plc, Recycling Division	Sims Recycling Solutions B.V.	Electronic recycling plants and sortation centers based in the UK	\$27.78
7/30/10	MP Ambiente Spa	Stena Technoworld S.r.l	Electronic waste processor and recycler based in Milan, Italy	-
7/13/10	Leadage Alloys India Limited	Exide Industries Ltd.	Lead acid battery scrap recycler based in southern India	-
7/12/10	Reliable Recycling, Inc.	Alter Trading Corporation	Buyer and recycler of scrap iron and metals based in Green Bay, Wisconsin	-
7/12/10	SUROVINA, Waste Recycling Company d.d.	Gorenje DD	Recycler of metal scrap and residual materials based in Slovenia	-
7/8/10	Arkhangelsk Vtormet Open JSC	Joint Stock Company Severstal	Scrap metal manufacturing, delivery, and export services provider based in Russia	-
7/7/10	Weinstein Scrap Metal Corp.	Upstate Shredding, LLC	Scrap metal dealer based in Jamestown, New York	-
7/1/10	Lim Asia Steel Pte Ltd.	Union Steel Holdings Ltd	Buyer, seller, and recycler of all types of scrap metal based in Singapore	\$0.54
6/30/10	Rup Rohstoffhandelsgesellschaft mbH	TSR Recycling GmbH & Co. KG	Wholesaler and recycler of scrap metal and steel based in Dusseldorf, Germany	-
6/25/10	Arthur Wright and Son	European Metal Recycling Ltd.	Provider of demolition and metal scrap recycling services based in Staffordshire, UK	-
6/3/10	JSC Rusvtormet-Center	SBK Metall	Recycler of scrap metal based in Moscow, Russia	-
5/27/10	Buss & Buss Spezialmetalle GmbH	Neo Material Technologies Inc.	Recycler and trader of metals based in Sagard, Germany	-
5/3/10	SwedeCraft AB	Kuusakoski Sverige Aktiebolag	Dismantler and recycler of expired electric power equipment based in Karlstad, Sweden	-
4/27/10	Waste Management & Recycling Products Inc.	Colt Refining, Inc.	Electronics recycling solutions company based in Scotia, New York	-
4/19/10	Golden Steel & Recycling, Inc.	Schnitzer Steel Industries, Inc.	Metals recycling services company based in Billings, Montana	-
4/19/10	9Digit Co., Ltd.	Samjung Packing & Aluminium Co. Ltd.	Separator and refiner of metals from scrap based in Incheon-si, South Korea	\$8.00
4/16/10	Cornejo & Sons, Inc.	Summit Materials, LLC	Recycler of ferrous and non-ferrous scrap metal based in Wichita, Kansas	-
4/14/10	Tianjin Guoneng Resources Development Corporation	China Metal Recycling Holdings Ltd.	Processor and seller of scrap metals based in China	-
3/22/10	Metals Trading Pty, Ltd. / Recovcorp Pty, Ltd.	OneSteel, Ltd.	Processor and marketer of ferrous and non-ferrous metal scrap based in Kew, Australia	-
3/1/10	Ocala Recycling, Inc. / Blaze Recycling and Metals, LLC	The David J. Joseph Company	Provider of scrap recycling and collection services based in Ocala, Florida	-
3/1/10	Showa Metal Co. Ltd.	Hanwa Co. Ltd.	Scrap metal recycler based in Kawasaki-shi, Japan	-
2/22/10	UTP Holdings, LLC	Resource Exchange of America, Corp.	Exporter of ferrous and nonferrous scrap metal based in Sarasota, Florida	-
1/12/10	A-SCT Semicon Recycling Industries Pte Ltd. / ASTI Holdings Ltd.	Advance SCT Ltd.	Collector of semiconductor scrap based in Singapore	\$35.00
1/12/10	MRR Mitteldeutsche Rohstoff-Recycling GmbH / HRR Stahlschrott- und Metallrecycling GmbH & Co. KG	Scholz Recycling AG & Co. KG	Scrap metal waste disposal services provider based in Halle, Germany	-
1/11/10	HRR Stahlschrott- und Metallrecycling GmbH & Co. KG / Scholz Recycling AG & Co. KG	Interseroh Berlin GmbH	Scrap yards operator based in Hennigsdorf, Germany	-

Source: Capital IQ, Company Public Filings, Press Releases, and Industry Publications

OUR METAL RECYCLING AND METAL SERVICES SECTOR EXPERTISE

Companies today operate in a highly specialized environment, with the regulatory and competitive demands of each industry often making the difference between success and failure. At Eureka we recognize that as an advisor, to do our job appropriately, we must have not only the transactional skills of a seasoned investment banker but also the technical and operating skills of an industry expert.

We have been very active in the metals and metals recycling sector over the past several years. Our recent experience includes advising on corporate finance assignments in **ferrous, nonferrous** and **electronics recycling**. In addition, we have worked on assignments in **steel manufacturing, metal services, and metal working**, including fabrications, stamping, forging, metal treatment, aluminum extrusions and others.



CONTACT INFORMATION

Mark Hyman

Senior Managing Director
mark.hyman@eurekacap.com
646.277.8425

Lana Simkina

Executive Director
lana.simkina@eurekacap.com
646.277.8429

EUREKA CAPITAL MARKETS, LLC, MEMBER FINRA/SIPC

Eureka is an independent financial advisory firm with offices in California and New York. Our firm was established to provide companies with impartial, thoughtful and sophisticated advice on mergers & acquisitions, recapitalizations, financial restructurings, capital raising, ESOP buyouts and valuations/fairness opinions. With over 120 years of combined experience, our professional team has developed a long and consistent track record. Collectively, we have completed more than 400 domestic and cross-border assignments during our careers. We are not a volume-based business. At Eureka, we are committed to providing value-added advice to a select group of clients on businesses we understand.

New York

286 Madison Ave., Suite 1300
New York, NY 10017
Ph: 646.277.8420
Fx: 646.277.8421

California

23 Corporate Plaza, Suite 125
Newport Beach, CA 92660
Ph: 949.719.2260
Fx: 949.719.2314

www.eurekacap.com

This report is for information purposes only and is not intended as an offer or solicitation with respect to any purchase or sale of any security. Eureka Capital Markets, LLC gathers its data from sources it considers reliable; however, it does not guarantee the accuracy or completeness of the information provided within this publication. The opinions presented herein reflect the current judgment of the authors and are subject to change. Eureka Capital Markets, LLC makes no warranties, expressed or implied, regarding the accuracy of this information or the subjective opinions expressed by the authors. Eureka Capital Markets, LLC, its officers, directors and partners may at any time have positions in the securities of the companies discussed herein.