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November 26, 2007

A Common Sense Approach

A few days ago, we received yet another warning about global warming, this time from the Nobel Prize winning Intergovernmental Panel on Climate Change. This group of some 2,500 scientists stressed that time is running out to take measures to curb and reduce greenhouse gasses. They say that, unless carbon emissions are stabilized by 2015 and cut back thereafter, irrevocable and very harmful changes will occur around the world.

The contrary view that fundamental climate change is not occurring is all but dead in the scientific community and is even waning among the politicians. What continues to be argued is what we should do about it and who should do the doing. Those arguments are, of course, familiar in our current political arena; they are waged every day over tax, spending, trade and virtually every other national and international issue. We can only hope that the concerns of the public here at home and around the world will motivate our leaders to do something useful.

The Intergovernmental Panel said something else that perhaps has more immediate impact on the average citizen and on companies like ours and yours. The group suggested that technologies are already available to address a good part of the problem. Some of those technologies are beyond the ability of individual manufacturers to develop or even adopt, but others are well within our expertise. What is more, they can often promote the well being of the company rather than acting as a drag on productivity or profitability.

For more than 25 years, we at Corey have been looking carefully at what can be done to reduce our use of energy, to avoid harming the environment and to maintain a clean and proper workplace. Many of these steps were the result of hard nosed audits of our expenses; others were aimed at making our work environment safer and more pleasant. But in each case, we realized a dividend that may not have seemed so important years ago, but which now looms large in the global warming context.

Here are some of the things we did:

- We have taken a number of steps to reduce our consumption of natural gas and electricity. As examples, we installed energy efficient Reflecto – Ray heating systems that reduced our natural gas usage by more than 50%. We also replaced some twenty thousand square feet of windows with high density material that significantly improves HVAC efficiency (and, as a bonus, reduces the noise level at the perimeter of our facility).
- We have taken many steps to capture oils and lubricants and to reuse them where possible. We completely replaced our warehouse floors and installed sump systems to capture oils that are reconditioned for future use. We have installed sumps and pan systems under production equipment and storage racks to capture oils that are cleaned and recycled. We even collect and process contaminated “mop” water, collect all oil soaked gloves, rags, pads, spray paint cans and the like, and trap truck and kitchen washing effluents for reclaiming treatment.
- We have instituted literally dozens of other changes in our practices to put our facilities into an environmentally sound mode. We realize direct savings from all of these, and, in addition, we have created awareness among all our employees that conservation is more than good citizenship, it is smart.

The lesson we take from our experience is not that we are a shining example of corporate citizenship (although we would like to be thought of that way), but that, for solid business reasons, we have improved our company and the environment to boot. Most of the steps we have taken involve more common sense than “cutting edge” technology. To echo an old saw, “We have done good by doing well.” We believe that a lot of other companies are doing the same and that we all could do better.

Here are some specifics for this month.

- Scrap and Pig Iron. Number 1 dealer bundles and #1 busheling (Chicago) both declined a bit to \$300 per mt. Except for a bump up in September, which came down in October, the \$300 price level has held since last May. That relative stability (albeit at more than twice 2003 prices) is some relief from the gyrations of recent years. The spot price for Brazilian pig iron (cif New Orleans) jumped a bit to \$400 per mt, and the outlook is for higher prices in 2008.
- Natural Gas. The Nymex contract price declined 13¢ to \$6.88 per mcf. While crude oil prices are knocking at the \$100 per barrel level, natural gas has remained fairly steady and not nearly as high as in a good part of 2005.

- Exchange Rates. It is no news that the dollar is under great pressure. As of this writing, the euro is at \$1.48 (up 6¢ from last month), the pound is worth \$2.06 (up 2¢), and the Canadian dollar is at \$1.01 (down a penny).

When confronted with the problems that face our country today, global warming being just one of them, it is easy to slip into pessimism about the future. But in this season of thanksgiving, we should remember how blessed we are as Americans. We, like all other countries, must contend with dangers and difficulties. Where we may have an edge is our openness and willingness to look at ourselves critically and then move on to seek solutions. It is with that capability that we can face the future with optimism.

We are posting this letter on our web site, www.coreysteel.com and on the international site, www.steelonthenet.com.