



## Why USA steel buyers and sellers should “peg” their HRB and CRC transactions to the SteelBenchmarker™ price indices.

### Would you knowingly follow the herd off the cliff?

**Of course not!** This is why selecting a price index, which determines the price at which you buy or sell steel, should not be a popularity contest or following the herd.

First let us briefly describe a couple of the benefits for using a price index in physical steel contracts.

1. It allows the buyer and seller to “punt” – i.e., to arrange for – an agreement on future steel prices in their physical steel contracts.

This is an effective approach to minimizing contract negotiation time. Recent steel price volatility has greatly diminished the ability of buyers and sellers to reach agreement on forward steel market prices. The use of a price index permits prices of physical steel contracts to be periodically adjusted, over agreed time intervals, based on changes in the index price.

2. Financial swaps and steel futures that are settled using a price index (not yet significant on a tonnage basis) offer the opportunity for steel buyers or sellers to “lock” in future steel prices. Changes in the price index are used to adjust the physical steel contract prices and to settle price changes in the financial hedge.

The off-setting cash flows that result from price-index-driven changes in the physical and financial contracts offer a buyer or a seller the same benefit as a fixed physical steel price. Since a secure fixed physical steel price may not be available to either party in the physical steel market, financial steel trading when it becomes liquid will offer price risk management opportunities to both steel buyers and sellers. Steel buyers and sellers will be able to reduce forward price risk at a time and price of their choosing. Trading liquidity limitations are expected to greatly improve once steel futures trading on an exchange becomes a market reality.

Second, steel price indices are not all created equal even though they often, but not always especially in volatile times, yield similar prices. WSD believes that most indices used in physical contracts today have shortcomings when compared to WSD’s SteelBenchmarker™. Consider whether the price index you are using today, and/or the price index that you might use in the future, offers the following:

#### Allows you to input your assessment of steel market prices?

*WSD’s SteelBenchmarker™ encourages all steel buyers and sellers to participate via a convenient and confidential internet access.*



Has a robust number of steel price assessment inputs?

*WSD's SteelBenchmarker<sup>TM</sup> offers safety in numbers – over 950 provider registrants. “Price assessment providers” are restricted to physical steel buyers and sellers.*

Provides public access to its results?

*WSD's SteelBenchmarker<sup>TM</sup> provides twice-per-month, results immediately to 1,600 primary and back-up price assessment providers, 175 financial industry participants, 400 WSD subscribers, 10,000 subscribers of American Metal Market and Metal Bulletin, 6,000 subscribers of MetalPrices.com, 280 press and association members and on time delayed basis to about 1,800 people not qualifying as SteelBenchmarker<sup>TM</sup> price assessment providers. Plus a huge unknown number of subscribers to the Bloomberg Financial system.*

Meets strict anti-trust regulations and has anti-manipulation features?

*WSD's SteelBenchmarker<sup>TM</sup> was designed to meet strict interpretation of USA and European anti-trust standards!*

An attached summary of the **SteelBenchmarker<sup>TM</sup>** Features and Benefits provides reasons why today is the time to switch to WSD's system for determining steel benchmark prices. We encourage you to visit <http://www.steelbenchmarker.com> to review the product specifications, the operations manual and the legal compliance opinions from Covington & Burling (a leading law firm with expertise in USA and EU anti-trust and anti-competitive-behavior matters). At the same time, those of you who have not already registered as price assessment providers may do so.



## Features and Benefits of WSD's *SteelBenchmarker*™ (1 of 2)

Features	Details	Benefits/Comments
<b>Background Items</b>		
Inception date for <i>SteelBenchmarker</i> ™ finished steel product prices.	April 2006 for hot-rolled band, cold-rolled coil, plate and rebar in the USA, Europe, China and the world export market.	A two plus-year track record of twice-per-month benchmark prices. The USA benchmark prices for HRB and CRC are particularly robust.
Inception date for <i>SteelBenchmarker</i> ™ steel scrap prices.	For the USA, price settlements for three grades of steel scrap were initiated in February 2007.	One plus-year track record of twice-per-month results as of February 2008.
Frequency of <i>SteelBenchmarker</i> ™ pricing reports.	Twice monthly.	Wednesdays following the 2 <sup>nd</sup> and 4 <sup>th</sup> Mondays of each month. If needed, we have the ability to switch to once per week.
Number of “price assessment providers”.	About 950 signed up globally, plus about ~300 daily Chinese price inputs from Shanghai SteelHome.	In the USA the current number of price assessment providers has averaged 75-80 for hot-rolled band and 55-65 for cold-rolled coil.
<b>Recipients of the <i>SteelBenchmarker</i>™</b>		
All <i>SteelBenchmarker</i> ™ price assessment providers.	About 1,600 primary and back-up providers for the 950 registrants above.	This group gets the results for all prices; not just what they’ve signed up to provide.
Select Financial Institutions.	175 participants.	Includes analysts, hedge funds, banks, governmental entities, etc.
WSD subscribers.	400 - located the world over.	Includes the preponderance of integrated steel mills outside of China.
AMM and Metal Bulletin subscribers.	More than 10,000 readers each day.	Prices are published just after the <i>SteelBenchmarker</i> ™ press release.
Metalprices.com subscribers.	About 6,000 subscribers.	As of April 2008.
Bloomberg Financial LP subscribers.	A huge unknown number.	Open to the world.
A special-interest WSD mailing list.	Includes about 1,800.	Those not qualifying as <i>SteelBenchmarker</i> ™ price assessment providers.
Steel related Press and Associations.	280 contacts.	Offers access to all steel interested parties.



## Features and Benefits of WSD's *SteelBenchmarker*™ (2 of 2)

Features	Details	Benefits/Comments
<b>Regulatory Compliance</b>		
Satisfies standards of USA Dept. of Justice, Federal Trade Commission and European Trade Commission.	YES, we have been advised that the <i>SteelBenchmarker</i> ™ is in compliance.	Designed from the start to comply with the requirements of USA and European regulators.
Covington & Burling.	Washington law firm that is expert in anti-trust and anti-competitive behavior matters.	The fundamental legal standard says: Avoid use of, or the attempt to obtain, actual transaction prices when constructing a price index.
<b>Methodology</b>		
The “price assessment providers” provide their standard actual transaction price for near-term delivery to mid-sized buyers.	<i>SteelBenchmarker</i> ™ is not seeking the tonnage on transactions.	No expected issues with DOJ or FTC with our methodology.
Data is collected and processed by a secure 3 <sup>rd</sup> party computer.	Assures price assessor's anonymity.	“Price assessment providers” do not face an audit risk.
Price assessment provider's inputs are not seen by WSD or anyone else.	No early peeks or leaks. No human intervention in determining the price.	All price assessment provider inputs are treated equally.
Contributors are only steel buyers and sellers.	Mills, service centers, fabricators, processors, end users and traders.	Financial players, including hedge funds, can't influence the price.
Twice per month results with the ability to switch to once a week (if required).	A robust and incorruptible index is essential when the stakes are high.	<i>SteelBenchmarker</i> ™ has performed well in an environment of rapid price swings.
Consistent and balanced approach.	All assessments weighted equally.	No attempt to weigh results by importance of the provider, or tonnage, in our system.
<b>Present Situation</b>		
<i>SteelBenchmarker</i> ™ twice-per-month price results for hot-rolled band, cold-rolled coil and scrap in the USA are the most trusted.	Our contacts say that <i>SteelBenchmarker</i> ™ prices are not prone to glitches.	<b>Safety in numbers bolsters the system.</b>