



**LATROBE SPECIALTY
STEEL COMPANY**
DISTRIBUTION

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Dear Customer,

We received your letter regarding the new "Conflict Minerals" rule being developed by the Securities and Exchange Commission (SEC) as directed by Section 1502 of the Dodd-Frank Act of 2010.

We have followed the development of this rule closely and responded to the SEC's request for comments earlier this year, raising several critical issues related to the inability to trace the origin of conflict minerals in recycled scrap. The SEC has not yet finalized the rule and presumably is considering our comments as well as those of other commenters relating to post-industrial and post-consumer scrap.

It is important to note that the term "Conflict Minerals" used in these discussions means the minerals used to produce any of the four metals tantalum, tin, tungsten and gold and their derivatives, regardless of their origin. Thus, these minerals are conflict minerals no matter where in the world they are mined. The point is to be able to certify that products are "DRC Conflict Minerals Free", meaning that none of the conflict minerals were sourced from the Democratic Republic of the Congo or surrounding countries from mines that support conflicts in the region. The U.S. State Department is to determine which mines support conflict.

We use some metals derived from conflict minerals, chiefly tungsten and niobium, as alloying elements in some of the alloys that we supply to you. Most of the tungsten and niobium in our alloys is sourced from the post-industrial or post-consumer scrap that we melt as part of the "melt and cast" operation to produce new material. However, we do purchase a small amount of virgin alloying metal, and when we do so, it comes in the form of ferroalloys (ferrotungsten and ferroniobium) that we purchase from ferroalloy manufacturers that obtain the alloying metal from refiners or smelters. As you can see, we do not purchase any conflict minerals directly from the smelters. It is therefore necessary for us to undertake a tracing, validation and verification program. We are studying some initial proposals, such as the "Conflict Free Smelter Program" currently being promoted by the Global e-Sustainability Initiative (GeSI) and the guidance on due diligence issued by the organization for Economic Cooperation and Development, that will provide possible methods to accomplish this. These are not yet finalized, however. And, like you, we have begun to discuss this issue with our ferroalloy suppliers.

We want to assure you that we are working diligently to resolve the remaining issues with the aim of arriving at a proper and sufficient certification to provide to you. We are hopeful that the SEC will adopt the recommendations we submitted to them for the treatment of alloying elements sourced from recycled material, whether post-consumer or post-industrial, but we will only know when the SEC publishes its final rule. And, we will pursue with our ferroalloy suppliers the appropriate tracing, validation and verification programs as they evolve.

Thank you for the opportunity to address your concerns regarding this new regulatory matter, and most importantly, for the opportunity to be your supplier. We appreciate your business.