COMMERCIAL METALS CO
Form 10-Q
July 09, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, DC 20549**
**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended May 31, 2010**

**Commission File Number 1-4304**
**COMMERCIAL METALS COMPANY**
(Exact name of registrant as specified in its charter)

| Delaware | 75-0725338 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

6565 N. MacArthur Blvd.
Irving, Texas 75039
(Address of principal executive offices)(Zip Code)
(214) 689-4300
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

| Large accelerated filer þ | Accelerated filer o | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes o No þ

As of July 6, 2010 there were 114,305,664 shares of the Company s common stock issued and outstanding excluding 14,755,000 shares held in the Company s treasury.

**COMMERCIAL METALS COMPANY AND SUBSIDIARIES**
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**PART 1. FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

**COMMERCIAL METALS COMPANY AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

| (in thousands, except share data) | May 31, 2010 | August 31, 2009 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 289,630 | $ 405,603 |
| Accounts receivable (less allowance for collection losses of $35,741 and $42,134) | 791,487 | 731,282 |
| Inventories | 652,992 | 678,541 |
| Other | 293,591 | 182,126 |
| Total current assets | 2,027,700 | 1,997,552 |
| Property, plant and equipment: | | |
| Land | 98,977 | 87,530 |
| Buildings and improvements | 503,663 | 502,031 |
| Equipment | 1,598,635 | 1,395,104 |
| Construction in process | 106,379 | 380,185 |
| | 2,307,654 | 2,364,850 |
| Less accumulated depreciation and amortization | (1,054,562) | (1,013,461) |
| | 1,253,092 | 1,351,389 |
| Goodwill | 71,053 | 74,236 |
| Other assets | 212,655 | 264,379 |
| Total assets | $ 3,564,500 | $ 3,687,556 |
| Liabilities and stockholders equity | | |
| Current liabilities: | | |
| Accounts payable-trade | $ 507,196 | $ 344,355 |
| Accounts payable-documentary letters of credit | 76,326 | 109,210 |
| Accrued expenses and other payables | 333,701 | 327,212 |
| Notes payable | 53,126 | 1,759 |
| Commercial paper | 10,000 | |
| Current maturities of long-term debt | 28,634 | 32,802 |
| Total current liabilities | 1,008,983 | 815,338 |
| Deferred income taxes | 46,298 | 44,564 |
| Other long-term liabilities | 106,339 | 113,850 |
| Long-term debt | 1,175,834 | 1,181,740 |
| Total liabilities | 2,337,454 | 2,155,492 |
| CMC stockholders equity: | | |
| Preferred stock | | |

| | | |
|---|---|---|
| Common stock, par value $0.01 per share; authorized 200,000,000 shares; issued 129,060,664 shares; outstanding 114,291,265 and 112,573,433 shares | 1,290 | 1,290 |
| Additional paid-in capital | 365,552 | 380,737 |
| Accumulated other comprehensive income (loss) | (36,101) | 34,257 |
| Retained earnings | 1,184,087 | 1,438,205 |
| | 1,514,828 | 1,854,489 |
| Less treasury stock 14,769,399 and 16,487,231 shares at cost | (290,462) | (324,796) |
| Stockholders equity attributable to CMC | 1,224,366 | 1,529,693 |
| Stockholders equity attributable to noncontrolling interests | 2,680 | 2,371 |
| Total equity | 1,227,046 | 1,532,064 |
| Total liabilities and stockholders equity | $ 3,564,500 | $ 3,687,556 |

See notes to unaudited consolidated financial statements.

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**COMMERCIAL METALS COMPANY AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| **(in thousands, except share data)** | **2010** | **2009** | **2010** | **2009** |
| Net sales | $ 1,765,154 | $ 1,258,237 | $ 4,489,855 | $ 4,997,927 |
| Costs and expenses: | | | | |
| Cost of goods sold | 1,645,250 | 1,078,854 | 4,253,574 | 4,449,146 |
| Selling, general and administrative expenses | 108,509 | 161,882 | 389,182 | 451,429 |
| Interest expense | 18,184 | 18,433 | 57,871 | 62,277 |
| | 1,771,943 | 1,259,169 | 4,700,627 | 4,962,852 |
| Earnings (loss) from continuing operations before taxes | (6,789) | (932) | (210,772) | 35,075 |
| Income taxes (benefit) | 3,952 | 13,368 | (36,101) | 41,813 |
| Loss from continuing operations | (10,741) | (14,300) | (174,671) | (6,738) |
| Earnings (loss) from discontinued operations before taxes | 4,001 | 1,065 | (62,513) | 32,636 |
| Income taxes (benefit) | 1,723 | 212 | (24,117) | 12,763 |
| Earnings (loss) from discontinued operations | 2,278 | 853 | (38,396) | 19,873 |
| Net earnings (loss) | $ (8,463) | $ (13,447) | $ (213,067) | $ 13,135 |
| Less net earnings (loss) attributable to noncontrolling interests | 363 | (370) | 278 | (487) |
| Net earnings (loss) attributable to CMC | $ (8,826) | $ (13,077) | $ (213,345) | $ 13,622 |
| Basic earnings (loss) per share attributable to CMC: | | | | |
| Loss from continuing operations | $ (0.10) | $ (0.13) | $ (1.54) | $ (0.06) |
| Earnings (loss) from discontinued operations | 0.02 | 0.01 | (0.34) | 0.18 |
| Net earnings (loss) | $ (0.08) | $ (0.12) | $ (1.88) | $ 0.12 |
| Diluted earnings (loss) per share attributable to CMC: | | | | |
| Loss from continuing operations | $ (0.10) | $ (0.13) | $ (1.54) | $ (0.06) |
| Earnings (loss) from discontinued operations | 0.02 | 0.01 | (0.34) | 0.18 |
| Net earnings (loss) | $ (0.08) | $ (0.12) | $ (1.88) | $ 0.12 |
| Cash dividends per share | $ 0.12 | $ 0.12 | $ 0.36 | $ 0.36 |
| Average basic shares outstanding | 114,067,149 | 112,191,349 | 113,279,301 | 112,398,000 |
| Average diluted shares outstanding | 114,067,149 | 112,191,349 | 113,279,301 | 112,398,000 |

See notes to unaudited consolidated financial statements.

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**COMMERCIAL METALS COMPANY AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(UNAUDITED)**

| | Nine Months Ended May 31, | |
|---|---|---|
| **(in thousands)** | **2010** | **2009** |
| Cash flows from (used by) operating activities: | | |
| Net earnings (loss) | $ (213,067) | $ 13,135 |
| Adjustments to reconcile net earnings (loss) to cash from (used by) operating activities: | | |
| Depreciation and amortization | 128,393 | 116,045 |
| Provision for losses (recoveries) on receivables | (1,831) | 33,615 |
| Share-based compensation | 5,590 | 12,369 |
| Net (gain) loss on sale of assets and other | (529) | 388 |
| Write-down of inventory | 44,680 | 110,411 |
| Contract losses (gains) | 71,887 | (14,645) |
| Asset impairment | 32,613 | 5,051 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Decrease (increase) in accounts receivable | (107,275) | 677,602 |
| Accounts receivable sold (repurchased), net | 29,322 | (107,978) |
| Decrease (increase) in inventories | (41,880) | 473,423 |
| Decrease in other assets | 10,647 | 64,683 |
| Increase (decrease) in accounts payable, accrued expenses, other payables and income taxes | 137,554 | (701,934) |
| Decrease in deferred income taxes | (72,304) | (4,099) |
| Decrease in other long-term liabilities | (6,305) | (9,242) |
| Net cash flows from operating activities | 17,495 | 668,824 |
| Cash flows from (used by) investing activities: | | |
| Capital expenditures | (109,464) | (290,318) |
| Proceeds from the sale of property, plant and equipment and other | 5,287 | 2,292 |
| Acquisitions, net of cash acquired | (2,448) | (906) |
| Increase in deposit for letters of credit | (27,238) | |
| Net cash used by investing activities | (133,863) | (288,932) |
| Cash flows from (used by) financing activities: | | |
| Decrease in documentary letters of credit | (32,884) | (2,491) |
| Short-term borrowings, net change | 61,317 | (25,611) |
| Repayments on long-term debt | (19,914) | (102,804) |
| Proceeds from issuance of long-term debt | 22,437 | 36,365 |
| Stock issued under incentive and purchase plans | 10,355 | 1,095 |
| Treasury stock acquired | | (18,514) |
| Cash dividends | (40,773) | (40,636) |
| Tax benefits from stock plans | 3,204 | 1,472 |
| Net cash from (used by) financing activities | 3,742 | (151,124) |
| Effect of exchange rate changes on cash | (3,347) | (6,405) |

| | | |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | (115,973) | 222,363 |
| Cash and cash equivalents at beginning of year | 405,603 | 219,026 |
| Cash and cash equivalents at end of period | $ 289,630 | $ 441,389 |

See notes to unaudited consolidated financial statements.

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**COMMERCIAL METALS COMPANY AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (UNAUDITED)**

| | CMC Stockholders Equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional | Accumulated Other | | Treasury Stock | | | |
| | Number of | | Paid-In | Comprehensive Income | Retained | Number of | | Noncontrolling | |
| ousands, except share data) | Shares | Amount | Capital | (Loss) | Earnings | Shares | Amount | Interests | To |
| e, September 1, 2008 | 129,060,664 | $ 1,290 | $ 371,913 | $ 112,781 | $ 1,471,542 | (15,283,512) | $ (319,143) | $ 3,643 | $ 1,64 |
| ehensive income (loss): | | | | | | | | | |
| rnings (loss) for the nine s ended May 31, 2009 | | | | | 13,622 | | | (487) | 1 |
| comprehensive income | | | | | | | | | |
| n currency translation ment, net of taxes ($6,025) | | | | (125,253) | | | | (722) | (12 |
| ized gain on derivatives, net s ($2,541) | | | | 11,650 | | | | | 1 |
| ehensive loss | | | | | | | | | (10 |
| ividends | | | | | (40,636) | | | | (4 |
| ry stock acquired | | | | | | (1,752,900) | (18,514) | | (1 |
| ce of stock under incentive rchase plans | | | (10,560) | | | 499,575 | 11,655 | | |
| based compensation | | | 12,520 | | | (9,910) | (151) | | 1 |
| nefits from stock plans | | | 1,472 | | | | | | |
| e, May 31, 2009 | 129,060,664 | $ 1,290 | $ 375,345 | $ (822) | $ 1,444,528 | (16,546,747) | $ (326,153) | $ 2,434 | $ 1,49 |

| | CMC Stockholders Equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional | Accumulated Other | | Treasury Stock | | | |
| | Number of | | Paid-In | Comprehensive Income | Retained | Number of | | Noncontrolling | |
| ousands, except share data) | Shares | Amount | Capital | (Loss) | Earnings | Shares | Amount | Interests | Tot |
| ce, September 1, 2009 | 129,060,664 | $ 1,290 | $ 380,737 | $ 34,257 | $ 1,438,205 | (16,487,231) | $ (324,796) | $ 2,371 | $ 1,532 |
| rehensive income (loss): | | | | | | | | | |
| arnings (loss) for the nine s ended May 31, 2010 | | | | | (213,345) | | | 278 | (213 |
| comprehensive income | | | | | | | | | |
| gn currency translation ment, net of taxes ($5,172) | | | | (69,857) | | | | 31 | (69 |
| lized gain on derivatives, net es ($97) | | | | 7 | | | | | |
| | | | | (508) | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ed benefit obligation, net of ($267) | | | | | | | | | |
| rehensive loss | | | | | | | | | (283 |
| dividends | | | | | (40,773) | | | | (40 |
| ce of stock under incentive urchase plans | | | (24,213) | | | 1,730,713 | 34,568 | | 10 |
| based compensation | | | 5,824 | | | (12,881) | (234) | | 5 |
| enefits from stock plans | | | 3,204 | | | | | | 3 |
| ce, May 31, 2010 | 129,060,664 | $ 1,290 | $ 365,552 | $ (36,101) | $ 1,184,087 | (14,769,399) | $ (290,462) | $ 2,680 | $ 1,227 |

See notes to unaudited consolidated financial statements.

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**COMMERCIAL METALS COMPANY AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 1 QUARTERLY FINANCIAL DATA**

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States on a basis consistent with that used in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission ( SEC ) for the year ended August 31, 2009, and include all normal recurring adjustments necessary to present fairly the consolidated balance sheets and statements of operations, cash flows and stockholders equity for the periods indicated. These notes should be read in conjunction with such Form 10-K. The results of operations for the three and nine month periods are not necessarily indicative of the results to be expected for a full year.

**NOTE 2 ACCOUNTING POLICIES**

**Share-Based Compensation**

See Note 10, Capital Stock, to the Company s consolidated financial statements for the year ended August 31, 2009 for a description of the Company s stock incentive plans.

The Company recognizes share-based compensation at fair value in the financial statements. The fair value of each share-based award is estimated at the date of grant using either the Black-Scholes pricing model or a binomial model. Total compensation cost is amortized on a straight-line basis over the vesting period of issued awards. The Company recognized no share-based compensation expense during the third quarter of 2010 due to a forfeiture adjustment of $2.3 million which offset the expense for the quarter. The Company recognized share-based compensation of $3.6 million for the three months ended May 31, 2009 and $5.6 million and $12.4 million for the nine months ended May 31, 2010 and 2009, respectively, as a component of selling, general and administrative expenses. At May 31, 2010, the Company had $4.2 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. This cost is expected to be recognized over the next 27 months. See Note 1, Summary of Significant Accounting Policies, to the Company s consolidated financial statements for the year ended August 31, 2009 for a description of the Company s assumptions used to calculate share-based compensation.

Combined information for shares subject to options and stock appreciation rights ( SARs ) for the nine months ended May 31, 2010 were as follows:

| | Number | Weighted Average Exercise Price | Price Range Per Share | |
|---|---|---|---|---|
| September 1, 2009 | | | | |
| Outstanding | 5,427,552 | $ 21.36 | $ 3.64 | 35.38 |
| Exercisable | 4,240,734 | 18.27 | 3.64 | 35.38 |
| Granted | 126,000 | 14.05 | | 14.05 |
| Exercised | (984,072) | 6.41 | 3.64 | 12.31 |
| Forfeited | (474,529) | 30.70 | 7.78 | 35.38 |
| | | | | |
| May 31, 2010 | | | | |
| Outstanding | 4,094,951 | $ 23.65 | $ 7.53 | 35.38 |
| Exercisable | 3,342,578 | 22.28 | 7.53 | 35.38 |

Share information for options and SARs at May 31, 2010:

| | Outstanding | | | Exercisable | |
|---|---|---|---|---|---|
| Range of | | Weighted Average Remaining | Weighted Average | | Weighted Average |

| Exercise Price | | Number Outstanding | Contractual Life (Yrs.) | Exercise Price | Number Outstanding | Exercise Price |
|---|---|---|---|---|---|---|
| $ 7.53 | 7.78 | 856,546 | 0.8 | $ 7.77 | 856,546 | $ 7.77 |
| 11.00 | 14.05 | 788,826 | 3.3 | 12.41 | 613,826 | 12.18 |
| 21.81 | 24.71 | 462,043 | 2.7 | 24.51 | 462,043 | 24.51 |
| 31.75 | 35.38 | 1,987,536 | 4.1 | 34.76 | 1,410,163 | 34.75 |
| $ 7.53 | 35.38 | 4,094,951 | 3.1 | $ 23.65 | 3,342,578 | $ 22.28 |

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Of the Company s previously granted restricted stock awards, 50,154 and 147,050 shares vested during the nine months ended May 31, 2010 and 2009, respectively.

**Goodwill**

The Company tests for impairment of goodwill by estimating the fair value of each reporting unit compared to its carrying value. The Company s reporting units are based on its internal reporting structure and represent an operating segment or a reporting level below an operating segment. Additionally, the reporting units are aggregated based upon similar economic characteristics, nature of products and services, nature of production processes, type of customers and distribution methods. As a result, the Company has determined its reporting units that have a significant amount of goodwill to be in the Americas Recycling and Americas Fabrication segments. The Company uses a discounted cash flow model to calculate the fair value of reporting units. The model includes a number of significant assumptions and estimates regarding future cash flows including discount rates, volumes, prices, capital expenditures and the impact of current market conditions. The goodwill impairment test is performed in the fourth quarter of each fiscal year and when changes in circumstances indicate an impairment event may have occurred. During the second quarter of 2010, the Company decided to exit the joist and deck business which is included in the Americas Fabrication segment. As a result, the Company wrote-off the entire balance of goodwill in the amount of $1.7 million relating to the joist and deck operations. Additionally, the Company performed a goodwill impairment test on the remaining portion of its Americas Fabrication segment. Based on the analysis during the second quarter of 2010, the estimated fair value for the remaining portion of this segment substantially exceeded its carrying value.

**Intangible Assets**

The total gross carrying amounts of the Company s intangible assets that were subject to amortization were $78.8 million and $93.3 million at May 31, 2010 and August 31, 2009, respectively, and are included in other noncurrent assets. Aggregate amortization expense for the three months ended May 31, 2010 and 2009 was $2.7 million and $2.8 million, respectively. Aggregate amortization expense for the nine months ended May 31, 2010 and 2009 was $11.3 million and $12.0 million, respectively. During the second quarter of 2010, the Company wrote-off intangible assets of $2.8 million associated with exiting the joist and deck business. See Note 5, Discontinued Operations, for additional details.

**Severance Charges**

During the three and nine months ended May 31, 2010, the Company recorded severance costs of $1.9 million and $18.5 million, respectively. During the three and nine months ended May 31, 2009, the Company recorded severance costs of $2.8 million and $9.3 million, respectively. These severance costs relate to involuntary employee terminations initiated as part of the Company s focus on operating expense management and reductions in headcount to meet current production levels. Additionally, during the second quarter of 2010, the Company incurred severance costs associated with exiting the joist and deck business. See Note 5, Discontinued Operations, for additional details. As of May 31, 2010, the remaining liability to be paid in future periods related to termination benefits was $5.2 million.

**Deposits for Letters of Credit**

The Company purchases insurance for certain exposures including workers compensation, auto liability and general liability, as well as property damage and business interruption, which include specified deductibles. The retained or self-insurance component of these programs are secured by letters of credit which are collateralized by cash deposits of $27.2 million at May 31, 2010 and are recorded in other current assets.

**Recently Adopted Accounting Guidance**

In the first quarter of 2010, the Company adopted accounting guidance on business combinations. The guidance establishes principles for recognizing and measuring the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquired business and goodwill acquired in a business combination. Additionally, the guidance clarifies accounting and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance will be applied to future business combinations.

In the first quarter of 2010, the Company adopted accounting guidance that modifies accounting and reporting for noncontrolling interests. The guidance requires minority interest to be reported as equity on the balance sheet, net earnings (loss) to include both the amounts attributable to the affiliate s parent and the noncontrolling interest and clarifies the accounting for changes in the parent s interest in an affiliate. The provisions of the standard were applied

prospectively, except for the presentation and disclosure requirements, which were applied retrospectively to all periods presented. As a result, previously reported minority interests were reclassified into the noncontrolling interests portion of stockholders equity as of September 1, 2009 and 2008 and reported net

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earnings (loss) was adjusted for the nine months ended May 31, 2010 and 2009 to reflect the earnings (loss) attributable to the noncontrolling interests.

In the first quarter of 2010, the Company adopted accounting guidance requiring disclosure of the fair value of financial instruments for interim and annual reporting periods. The adoption did not have a material impact on the consolidated financial statements. See Note 10, Fair Value.

**NOTE 3 SALES OF ACCOUNTS RECEIVABLE**

On November 25, 2009, the Company renegotiated an existing accounts receivable securitization agreement of $100 million. The agreement extended the maturity date of the facility to November 24, 2010. On February 26, 2010, the Company amended the existing agreement to modify the covenant structure. The covenants contained in this agreement are consistent with the credit facility fully described in Note 6, Credit Arrangements.

The Company s accounts receivable securitization program is used as a cost-effective, short-term financing alternative. Under this program, the Company and several of its subsidiaries periodically sell certain eligible trade accounts receivable to the Company s wholly-owned consolidated special purpose subsidiary ( CMCRV ). CMCRV is structured to be a bankruptcy-remote entity and was formed for the sole purpose of buying and selling receivables generated by the Company. The Company, irrevocably and without recourse, transfers all eligible trade accounts receivable to CMCRV. Depending on the Company s level of financing needs, CMCRV may sell an undivided percentage ownership interest in the pool of receivables to affiliates of third party financial institutions.

The Company accounts for CMCRV s sales of undivided interests in these receivables to the financial institutions as sales. At the time an undivided interest in the pool of receivables is sold, the amount is removed from the consolidated balance sheet and the proceeds from the sale are reflected as cash provided by operating activities. At May 31, 2010 and August 31, 2009, accounts receivable of $213 million and $141 million, respectively, had been sold to CMCRV. The Company s undivided interest in these receivables (representing the Company s retained interest) was 100% at May 31, 2010 and August 31, 2009, respectively. The carrying amount of the Company s retained interest in the receivables approximated fair value due to the short-term nature of the collection period. No other material assumptions are made in determining the fair value of the retained interest. The retained interest is subordinate to, and provides credit enhancement for, the financial institutional buyers ownership interest in CMCRV s receivables, and is available to the financial institution buyers to pay any fees or expenses due to them and to absorb all credit losses incurred on any of the receivables. The U.S. securitization program contains certain cross-default provisions whereby a termination event could occur if the Company defaulted under one of its credit arrangements.

In addition to the securitization program described above, the Company s international subsidiaries in Europe and Australia and a domestic subsidiary periodically sell accounts receivable without recourse. These arrangements constitute true sales, and once the accounts are sold, they are no longer available to satisfy the Company s creditors in the event of bankruptcy. Uncollected accounts receivable sold under these arrangements and removed from the consolidated balance sheets were $123.0 million and $93.7 million at May 31, 2010 and August 31, 2009, respectively. The Company s Australian subsidiary has an agreement with a financial institution, which contains financial covenants whereby the Australian subsidiary must meet certain coverage and tangible net worth levels, as defined. At May 31, 2010, the Australian subsidiary was not in compliance with these covenants and the guarantee by Commercial Metals Company continued to be effective resulting in the financial covenants being waived at May 31, 2010. The guarantee will cease to be effective when the Australian subsidiary is in compliance with the financial covenants for two consecutive quarters.

During the nine months ended May 31, 2010 and 2009, proceeds from the sales of receivables were $604.3 million and $819.9 million, respectively, and cash payments to the owners of receivables were $575.0 million and $920.8 million, respectively. The Company is responsible for servicing the entire pool of receivables; however, no servicing asset or liability is recorded as these receivables are collected in the normal course of business and the collection of receivables are normally short term in nature. Discounts on domestic and international sales of accounts receivable were $2.8 million and $3.9 million for the nine months ended May 31, 2010 and 2009, respectively. These discounts primarily represented the costs of funds and were included in selling, general and administrative expenses.

**NOTE 4 INVENTORIES**

Inventories are stated at the lower of cost or market. Inventory cost for most domestic inventories is determined by the last-in, first-out method ( LIFO ). LIFO inventory reserves were $266.3 million and $241.7 million at May 31, 2010 and August 31, 2009. Inventory cost for international inventories and the remaining domestic inventories are determined by the first-in, first-out method ( FIFO ). The

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majority of the Company s inventories are in the form of finished goods, with minimal work in process. At May 31, 2010 and August 31, 2009, $52.5 million and $52.9 million, respectively, were in raw materials.

**NOTE 5 DISCONTINUED OPERATIONS**

On February 26, 2010, the Company s Board approved a plan to exit the joist and deck business through the sale of those facilities. The Company determined that the decision to exit this business met the definition of a discontinued operation. As a result, this business has been presented as a discontinued operation for all periods. The Company recorded $26.8 million to impair property, plant and equipment, $4.5 million to write-off intangible assets, $7.4 million of inventory valuation adjustments and $6.7 million of severance during the second quarter of 2010. During the third quarter of 2010, the Company recorded severance expense of $1.7 million. Total severance associated with this disposal is expected to be $9.9 million. The joist and deck business was in the Americas Fabrication segment.

On August 30, 2007, the Company s Board approved a plan to offer for sale a division which was involved with the buying, selling and distribution of nonferrous metals, namely copper, aluminum and stainless steel semifinished products. At August 31, 2009, all inventory of this division had been sold or absorbed by other divisions of the Company and the minimal amount of remaining assets and liabilities were transferred to another division effective September 1, 2009. This division was in the International Marketing and Distribution segment.

Financial information for discontinued operations were as follows:

| (in thousands) | May 31, 2010 | August 31, 2009 |
|---|---|---|
| Current assets | $51,090 | $60,594 |
| Noncurrent assets | 42,765 | 79,861 |
| Current liabilities | 21,450 | 25,885 |
| Noncurrent liabilities | 88 | 72 |

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Revenue | 37,398 | 91,428 | 110,809 | 424,100 |
| Earnings (loss) before taxes | 4,001 | 1,065 | (62,513) | 32,636 |

**NOTE 6 CREDIT ARRANGEMENTS**

On November 24, 2009, the Company renegotiated its revolving credit facility of $400 million and extended the maturity date from May 23, 2010 to November 24, 2012. On February 26, 2010, the Company amended the existing agreement to modify the covenant structure which requires the Company to maintain a minimum interest coverage ratio of not less than 2.50 to 1.00 for the three month period ended May 31, 2010, six month cumulative period ending August 31, 2010, nine month cumulative period ending November 30, 2010, twelve month cumulative period ending February 28, 2011 and for each fiscal quarter on a rolling twelve month cumulative period thereafter. At May 31, 2010, the Company s interest coverage ratio was 3.04. The agreement also requires the Company to maintain liquidity of at least $300 million (cash, short-term investments and accounts receivable securitization capacity combined) through November 30, 2010. The agreement did not change the existing debt to capitalization ratio covenant which requires the Company to maintain a ratio not greater than 0.60 to 1.00. At May 31, 2010, the Company s debt to capitalization ratio was 0.54.

At May 31, 2010, $10 million was outstanding under the commercial paper program. There were no amounts outstanding on the commercial paper program at August 31, 2009 or the revolving credit facility at May 31, 2010 and August 31, 2009. The availability under the revolving credit agreement is reduced by the outstanding amount under the commercial paper program. At May 31, 2010, $390 million was available under the revolving credit agreement.

The Company has numerous uncommitted credit facilities available from domestic and international banks. No commitment fees or compensating balances are required under these credit facilities. These credit facilities are used, in general, to support import letters of credit (including accounts payable settled under bankers acceptances as described

in Note 1. Summary of Significant Accounting Polices in the Company s consolidated financial statements for the year ended August 31, 2009), foreign exchange transactions and short term advances which are priced at market rates.

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Long-term debt, including the net effect of interest rate swap revaluation adjustments, was as follows:

| (in thousands) | May 31, 2010 | August 31, 2009 |
|---|---|---|
| 5.625% notes due November 2013 (weighted average rate of 4.22% at May 31, 2010) | $ 200,921 | $ 200,000 |
| 6.50% notes due July 2017 | 400,000 | 400,000 |
| 7.35% notes due August 2018 (weighted average rate of 5.74% at May 31, 2010) | 503,562 | 500,000 |
| CMCZ term note | 72,376 | 104,945 |
| CMCS financing agreement | 18,454 | |
| Other, including equipment notes | 9,155 | 9,597 |
| | 1,204,468 | 1,214,542 |
| Less current maturities | 28,634 | 32,802 |
| | $ 1,175,834 | $ 1,181,740 |

Interest on the notes, except for the CMC Zawiercie ( CMCZ ) note, is payable semiannually.

On March 23, 2010, the Company entered into two interest rate swap transactions ( Swap Transaction ). The Swap Transactions were designated as fair value hedges at inception and convert all fixed rate interest to floating rate interest on the Company s 5.625% notes due 2013 and $300 million on its fixed rate 7.35% notes due 2018. Swap Transactions with regard to the 5.625% notes and the 7.35% notes have notional amounts of $200 million and $300 million and termination dates of November 15, 2013 and August 15, 2018, respectively. The Swap Transaction cost is based on the floating LIBOR plus 303 basis points with respect to the 5.625% notes and LIBOR plus 367 basis points with respect to the 7.35% notes. See Note 9, Derivatives and Risk Management, for additional details.

CMCZ has a five year term note of PLN 240 million ($72.4 million) with a group of four banks. The term note is used to finance operating expenses of CMCZ and the development of a rolling mill. The note has scheduled principal and interest payments in fifteen equal quarterly installments which began in November 2009 with the final installment in May 2013. The weighted average interest rate at May 31, 2010 was 6.39%. The term note contains four financial covenants for CMCZ. At May 31, 2010, CMCZ was not in compliance with two of the financial covenants which resulted in a guarantee by Commercial Metals Company continuing to be effective. As a result of the guarantee, the financial covenant requirements became void; however, all other terms of the loan remain in effect, including the payment schedule. The guarantee will cease to be effective when CMCZ is in compliance with the financial covenants for two consecutive quarters.

CMC Poland ( CMCP ) owns and operates equipment at the CMCZ mill site. In connection with the equipment purchase, CMCP issued equipment notes under a term agreement dated September 2005 with PLN 7.0 million ($2.1 million) outstanding at May 31, 2010. Installment payments under these notes are due through August 2010. Interest rates are variable based on the Poland Monetary Policy Council s rediscount rate, plus an applicable margin. The weighted average rate at May 31, 2010 was 4.1%. The notes are secured by CMCP s shredder equipment.

CMC Sisak ( CMCS ) has a five year financing agreement of EUR 40 million ($49.2 million) which allows for disbursements as funds are needed. The loan will be used for capital expenditures and other uses. At May 31, 2010, EUR 15.0 million ($18.5 million) was outstanding under this note. The note has scheduled principal and interest payments in seven semiannual installments beginning in July 2011 and ending in July 2014. The weighted average interest rate at May 31, 2010 was 5.0%.

During the third quarter of 2010, CMC International issued current notes to banks with an outstanding balance of EUR 36.6 million ($45.0 million). These notes were used to meet current working capital needs and were repaid in June 2010.

Interest of $4.2 million and $8.2 million was capitalized in the cost of property, plant and equipment constructed for the nine months ended May 31, 2010 and 2009, respectively. Interest of $40.5 million and $59.0 million was paid for

the nine months ended May 31, 2010 and 2009, respectively.

**NOTE 7 INCOME TAXES**

The Company had net refunds of $0.7 million and paid $25.5 million in income taxes during the nine months ended May 31, 2010 and 2009, respectively.

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Reconciliations of the United States statutory rates to the Company s effective tax rates from continuing operations were as follows:

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Statutory rate | 35.0% | 35.0% | 35.0% | 35.0% |
| State and local taxes | 16.6 | (927.9) | 3.1 | 54.8 |
| Foreign rate differential | 0.4 | (600.3) | (5.2) | 41.5 |
| Foreign losses without tax benefit | (85.7) | | (14.1) | 0.5 |
| Domestic production activity deduction | | 498.9 | | (21.0) |
| U.S. Provision to return adjustment | (27.2) | | (0.9) | |
| Other | 2.7 | (440.0) | (0.8) | 8.4 |
| Effective rate from continuing operations | (58.2)% | (1,434.3)% | 17.1% | 119.2% |

The Company s effective tax rate from discontinued operations for the three months and nine months ended May 31, 2010 was 43.1% and 38.6%, respectively.

During the second quarter of 2010, the Company recorded a valuation allowance in the amount of $23.8 million against a deferred tax asset for the benefit of net operating loss carryforwards for the Company s Croatian subsidiary due to the uncertainty of their realization. During the third quarter of 2010, the Company increased this valuation allowance in the amount of $5.8 million. The company assesses the realizability of deferred tax assets each quarter.

As of May 31, 2010, the reserve for unrecognized tax benefits relating to the accounting for uncertainty in income taxes was $2.2 million, exclusive of interest and penalties. During the nine months ended May 31, 2010, the Company recorded an increase in liabilities of $0.5 million.

The Company classifies any interest recognized on an underpayment of income taxes as interest expense and classifies any statutory penalties recognized on a tax position taken as selling, general and administrative expense. For the three and nine months ended May 31, 2010, before any tax benefits, the Company recorded immaterial amounts of accrued interest and penalties on unrecognized tax benefits.

During the next twelve months, it is reasonably possible that the statute of limitations may lapse pertaining to positions taken by the Company in prior year tax returns or that income tax audits in various taxing jurisdictions could be finalized. As a result, the total amount of unrecognized tax benefits may decrease, which would reduce the provision for taxes on earnings by an immaterial amount.

The following is a summary of tax years subject to examination:

U.S Federal 2006 and forward
U.S. States 2005 and forward
Foreign 2002 and forward

The federal tax returns for fiscal years 2006 to 2008 are under examination by the Internal Revenue Service. However, we believe our recorded tax liabilities as of May 31, 2010 sufficiently reflect the anticipated outcome of these examinations.

**NOTE 8 STOCKHOLDERS EQUITY AND EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO CMC**

In calculating earnings (loss) per share, there were no adjustments to net earnings (loss) to arrive at earnings (loss) for any years presented. The reconciliation of the denominators of the earnings (loss) per share calculations were as follows:

| Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|---|---|---|
| 2010 | 2009 | 2010 | 2009 |
| 114,067,149 | 112,191,349 | 113,279,301 | 112,398,000 |

| | | | | |
|---|---|---|---|---|
| Shares outstanding for basic earnings (loss) per share | | | | |
| Effect of dilutive securities: | | | | |
| Stock based incentive/purchase plans | | | | |
| Shares outstanding for diluted earnings (loss) per share | 114,067,149 | 112,191,349 | 113,279,301 | 112,398,000 |

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For the three and nine months ended May 31, 2010 and 2009, no stock options, restricted stock or SARs were included in the calculation of dilutive shares because the Company reported a loss from continuing operations. All stock options and SARs expire by 2017.

The Company s restricted stock is included in the number of shares of common stock issued and outstanding, but omitted from the basic earnings (loss) per share calculation until the shares vest.

The Company purchased no shares during the first nine months of 2010 and had remaining authorization to purchase 8,259,647 shares of its common stock at May 31, 2010.

**NOTE 9 DERIVATIVES AND RISK MANAGEMENT**

The Company s worldwide operations and product lines expose it to risks from fluctuations in metals commodity prices, foreign currency exchange rates, natural gas prices and interest rates. The objective of the Company s risk management program is to mitigate these risks using derivative instruments. The Company enters into metal commodity futures and forward contracts to mitigate the risk of unanticipated declines in gross margin due to the volatility of the commodities prices, enters into foreign currency forward contracts which match the expected settlements for purchases and sales denominated in foreign currencies and enters into natural gas forward contracts to mitigate the risk of unanticipated changes in operating cost due to the volatility of natural gas prices. When sales commitments to customers include a fixed price freight component, the Company occasionally enters into freight forward contracts to minimize the effect of the volatility of ocean freight rates. The Company enters into interest rate swap contracts to maintain a portion of the Company s debt obligations at variable interest rates. These interest rate swap contracts, under which the Company has agreed to pay variable rates of interest and receive fixed rates of interest, are designated as fair value hedges of fixed rate debt. The Company s interest rate swap contract commitments were $500 million as of May 31, 2010.

The following tables provide certain information regarding the foreign exchange and commodity financial instruments discussed above.

Gross foreign currency exchange contract commitments as of May 31, 2010 (in thousands):

| | **Functional Currency** |
|---|---|
| **Type** | **Amount** |
| AUD | 1,084 |
| AUD | 53 |
| AUD | 32 |
| AUD | 87,708 |
| EUR | 2,822 |
| EUR | 90 |
| EUR | 922 |
| GBP | 526 |
| GBP | 846 |
| GBP | 5,902 |
| PLN | 329,768 |
| PLN | 145,106 |
| PLN | 765 |
| USD | 22,848 |
| USD | 18,234 |
| USD | 1,392 |
| USD | 2,140 |

| | **Contract Currency** |
|---|---|
| **Type** | **Amount** |
| EUR | 696 |
| GBP | 32 |

| | |
|---|---|
| NZD | 39 |
| USD | 76,991 |
| HRK* | 20,461 |
| PLN | 360 |
| USD | 1,153 |
| EUR | 608 |
| PLN | 3,698 |
| USD | 8,943 |
| EUR | 82,675 |
| USD | 47,746 |
| SEK** | 1,823 |
| EUR | 17,872 |
| GBP | 12,520 |
| JPY | 131,213 |
| SGD*** | 3,000 |

* Croatian kuna

** Swedish krona

*** Singapore dollar

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Commodity contract commitments as of May 31, 2010:

| Commodity | Long/Short | Total |
|---|---|---|
| Aluminum | Long | 2,675MT |
| Copper | Long | 885MT |
| Copper | Short | 4,955MT |
| Natural Gas | Long | 100,000 MMBtu |

MT = Metric Ton

MMBtu = One million British thermal units

The Company designates only those contracts which closely match the terms of the underlying transaction as hedges for accounting purposes. These hedges resulted in substantially no ineffectiveness in the statements of operations, and there were no components excluded from the assessment of hedge effectiveness for the three months and nine months ended May 31, 2010. Certain of the foreign currency and commodity contracts were not designated as hedges for accounting purposes, although management believes they are essential economic hedges.

The following tables summarize activities related to the Company s derivative instruments and hedged (underlying) items recognized within the statements of operations (in thousands):

| Derivatives Not Designated as Hedging Instruments | Location | Three Months Ended May 31, 2010 | Three Months Ended May 31, 2009 | Nine Months Ended May 31, 2010 | Nine Months Ended May 31, 2009 |
|---|---|---|---|---|---|
| Commodity | Cost of goods sold | $ 1,226 | $ 6,164 | $ (3,522) | $ 16,551 |
| Foreign exchange | Net sales | (870) | (12,794) | (910) | 86 |
| Foreign exchange | Cost of goods sold | (487) | (66) | (872) | (66) |
| Foreign exchange | SG&A expenses | (1,274) | 1,475 | (1,237) | (6,770) |
| Other | Cost of goods sold | | (366) | | (702) |
| Other | SG&A expenses | | 287 | | (220) |
| Gain (loss) before taxes | | $ (1,405) | $ (5,300) | $ (6,541) | $ 8,879 |

The Company s fair value hedges are designated for accounting purposes with gains and losses on the hedged (underlying) items offsetting the gain or loss on the related derivative transaction. Hedged (underlying) items relate to firm commitments on commercial sales and purchases, capital expenditures and fixed rate debt obligations. As of May 31, 2010, fair value hedge accounting for interest rate swap contracts increased the carrying value of debt instruments by $4.5 million.

| Derivatives Designated as Fair Value Hedging Instruments | Location | Three Months Ended May 31, 2010 | Three Months Ended May 31, 2009 | Nine Months Ended May 31, 2010 | Nine Months Ended May 31, 2009 |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Foreign exchange | Cost of goods sold | $ | $ (857) | $ | $ 3,954 |
| Foreign exchange | SG&A expenses | 6,556 | 4,672 | 515 | 54,355 |
| Interest rate | Interest expense | 4,483 | | 4,483 | |
| Gain (loss) before taxes | | $ 11,039 | $ 3,815 | $ 4,998 | $ 58,309 |

| Hedged (Underlying) Items Designated as Fair Value Hedging Instruments | Location | Three Months Ended May 31, 2010 | Three Months Ended May 31, 2009 | Nine Months Ended May 31, 2010 | Nine Months Ended May 31, 2009 |
|---|---|---|---|---|---|
| Foreign exchange | Net sales | $ (36) | $ 233 | $ (30) | $ (3,947) |
| Foreign exchange | SG&A expenses | (6,517) | (3,895) | (482) | (54,288) |
| Interest rate | Interest expense | (4,483) | | (4,483) | |
| Gain (loss) before taxes | | $ (11,036) | $ (3,662) | $ (4,995) | $ (58,235) |

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The Company recognizes the impact of net periodic settlements of current interest on our active interest rate swaps as adjustments to interest expense. The following table summarizes the impact of periodic settlements of active swap agreements on the results of operations:

| Reductions to Interest Expense Due to Hedge Accounting for Interest Rate Swaps | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Periodic estimated and actual settlements of active swap agreements* | $(2,109) | $ | $(2,109) | $ |

* Amounts represent the net of the Company s periodic variable-rate interest obligations and the swap counterparty s fixed-rate interest obligations. The Company s variable-rate obligations are based on a spread from the six-month LIBOR.

| Effective Portion of Derivatives Designated as Cash Flow Hedging Instruments Recognized in Accumulated Other Comprehensive Income (Loss) | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Commodity | $ (36) | $ 403 | $ 18 | $ (291) |
| Foreign exchange | (110) | (3,502) | 155 | 10,160 |
| Gain (loss), net of taxes | $ (146) | $ (3,099) | $ 173 | $ 9,869 |

| Effective Portion of Derivatives Designated as Cash Flow Hedging Instruments Reclassified from Accumulated Other Comprehensive Income (Loss) | Location | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| Commodity | | $ 7 | $ (482) | $ (8) | $ (369) |

| | | | | | |
|---|---|---|---|---|---|
| Foreign exchange | Cost of goods sold | | | | |
| | Net sales | | (12) | | (92) |
| Foreign exchange | SG&A expenses | (53) | (689) | (170) | (689) |
| Interest rate | Interest expense | 115 | 115 | 344 | 344 |
| Gain (loss), net of taxes | | $ 69 | $ (1,068) | $ 166 | $ (806) |

The Company s derivative instruments were recorded at their respective fair values as follows on the consolidated balance sheets (in thousands):

| **Derivative Assets** | **May 31, 2010** | **August 31, 2009** |
|---|---|---|
| Commodity designated | $ | $ 13 |
| Commodity not designated | 3,657 | 2,948 |
| Foreign exchange designated | 3,230 | 3,823 |
| Foreign exchange not designated | 4,399 | 4,678 |
| Interest rate designated | 4,483 | |
| Derivative assets (other current assets and other assets)* | $ 15,769 | $ 11,462 |

| **Derivative Liabilities** | **May 31, 2010** | **August 31, 2009** |
|---|---|---|
| Commodity designated | $ 18 | $ 35 |
| Commodity not designated | 2,494 | 8,895 |
| Foreign exchange designated | 619 | 6,421 |
| Foreign exchange not designated | 4,641 | 1,420 |
| Derivative liabilities (accrued expenses and other payables)* | $ 7,772 | $ 16,771 |

* Derivative assets and liabilities do not include the hedged (underlying) items designated as fair value hedges.

During the twelve months following May 31, 2010, $0.1 million in gains related to commodity hedges and capital expenditures are anticipated to be reclassified into net earnings (loss) as the related transactions mature and the assets are placed into service. Also, an additional $0.5 million in gains will be reclassified as interest income related to interest rate locks.

As of May 31, 2010, all of the Company s derivative instruments designated to hedge exposure to the variability in future cash flows of the forecasted transactions will mature within twelve months.

All of the instruments are highly liquid, and none are entered into for trading purposes.

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**NOTE 10 FAIR VALUE**

The following table summarizes information regarding the Company s financial assets and financial liabilities that were measured at fair value on a recurring basis:

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| **(in thousands)** | **May 31, 2010** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Money market investments | $215,875 | $215,875 | $ | $ |
| Derivative assets | 15,769 | 3,657 | 12,112 | |
| Nonqualified benefit plan assets * | 44,960 | 44,960 | | |
| Derivative liabilities | 7,772 | 2,494 | 5,278 | |
| Nonqualified benefit plan liabilities * | 92,223 | 92,223 | | |
| | **August 31, 2009** | | | |
| Money market investments | $357,723 | $357,723 | $ | $ |
| Derivative assets | 11,462 | 2,948 | 8,514 | |
| Nonqualified benefit plan assets * | 55,596 | 55,596 | | |
| Derivative liabilities | 16,771 | 8,895 | 7,876 | |
| Nonqualified benefit plan liabilities * | 96,904 | 96,904 | | |

* The Company provides a nonqualified benefit restoration plan to certain eligible executives equal to amounts that would have been available under tax qualified ERISA plans but for limitations of ERISA, tax laws and regulations. Though under no obligation to fund this plan, the Company has segregated assets in a trust.

The plan assets and liabilities consist of securities included in various mutual funds.

The following table summarizes information regarding the Company s nonfinancial assets measured at fair value on a non-recurring basis:

| | | Fair Value Measurements at Reporting Date Using | | | |
|---|---|---|---|---|---|
| **(in thousands)** | **May 31, 2010** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Recognized Loss** |
| Long-lived assets held for sale | $42,418 | $ | $ | $ 42,418 | $26,772 |

During the second quarter of 2010, the Company recorded an impairment on property, plant and equipment relating to our joist and deck business which was classified as held for sale. The fair value was based on appraised values less costs to sell.

The Company s long-term debt is predominantly publicly held. The fair value was approximately $1.23 billion at May 31, 2010 and $1.17 billion at August 31, 2009. Fair value was determined by indicated market values.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

See Note 12, Commitments and Contingencies, to the consolidated financial statements for the year ended August 31, 2009 relating to environmental and other matters. There have been no significant changes to the matters noted therein. In the ordinary course of conducting its business, the Company becomes involved in litigation, administrative proceedings and governmental investigations, including environmental matters. Management believes that adequate provisions have been made in the consolidated financial statements for the potential impact of these issues, and that the outcomes will not significantly impact the results of operations or the financial position of the Company, although they may have a material impact on earnings (loss) for a particular quarter.

**NOTE 12 BUSINESS SEGMENTS**

The Company s reportable segments are based on strategic business areas, which offer different products and services. These segments have different lines of management responsibility as each business requires different marketing strategies and management expertise.

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Prior to December 1, 2009, the Company structured the business into the following five segments: Americas Recycling, Americas Mills, Americas Fabrication and Distribution, International Mills and International Fabrication and Distribution.

Effective December 1, 2009, the Company implemented a new organizational structure. As a result, the Company now structures the business into the following five segments: Americas Recycling, Americas Mills, Americas Fabrication, International Mills and International Marketing and Distribution. All prior period financial information has been recast to be presented in the new organizational structure.

The Americas Recycling segment consists of the scrap metal processing and sales operations primarily in Texas, Florida and the southern United States including the scrap processing facilities which directly support the Company s domestic steel mills. The Americas Mills segment includes the Company s domestic steel minimills, its micromill, and the copper tube minimill. The copper tube minimill is aggregated with the Company s steel mills because it has similar economic characteristics. The Americas Fabrication segment consists of the Company s rebar fabrication operations, fence post manufacturing plants, construction-related and other products facilities. The International Mills segment includes the minimills in Poland and Croatia, recycling operations in Poland and fabrication operations in Europe, which have been presented as a separate segment because the economic characteristics of their markets and the regulatory environment in which they operate are different from that of the Company s domestic mills and rebar fabrication operations. International Marketing and Distribution includes international operations for the sales, distribution and processing of steel products, ferrous and nonferrous metals and other industrial products. Additionally, the International Marketing and Distribution segment includes the Company s two U.S. based trading and distribution divisions, CMC Cometals and CMC Cometals Steel (previously CMC Dallas Trading). The international distribution operations consist only of physical transactions and not positions taken for speculation. Corporate contains expenses of the Company s corporate headquarters, expenses related to its deployment of SAP software, and interest expense relating to its long-term public debt and commercial paper program.

The financial information presented for the Americas Fabrication segment excludes its joist and deck fabrication operations. Additionally, the financial information presented for the International Marketing and Distribution segment excludes its copper, aluminum, and stainless steel import operating division. These operations have been classified as discontinued operations in the consolidated statements of operations. See Note 5, Discontinued Operations, for more detailed information.

The Company uses adjusted operating profit (loss) to measure segment performance. Intersegment sales are generally priced at prevailing market prices. Certain corporate administrative expenses are allocated to segments based upon the nature of the expense. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The following is a summary of certain financial information from continuing operations by reportable segment:

| | Three Months Ended May 31, 2010 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Americas | | | International | | | | |
| (in thousands) | Recycling | Mills | Fabrication | Mills | Marketing and Distribution | Corporate | Eliminations | Consolidated |
| Net sales-unaffiliated customers | $365,900 | $251,606 | $322,797 | $190,898 | $635,520 | $ (1,567) | $ | $1,765,154 |
| Intersegment sales | 65,949 | 155,499 | 3,292 | 24,792 | 5,573 | 327 | (255,432) | |
| Net sales | 431,849 | 407,105 | 326,089 | 215,690 | 641,093 | (1,240) | (255,432) | 1,765,154 |
| Adjusted operating profit (loss) | 15,806 | 13,195 | (24,452) | (10,885) | 30,941 | (11,390) | (699) | 12,516 |

| | Three Months Ended May 31, 2009 |
|---|---|

| | Americas | | | International | | | | |
|---|---|---|---|---|---|---|---|---|
| **(in thousands)** | **Recycling** | **Mills** | **Fabrication** | **Mills** | **Marketing and Distribution** | **Corporate** | **Eliminations** | **Consolidated** |
| Net sales-unaffiliated customers | $116,818 | $162,806 | $354,119 | $140,218 | $471,002 | $ 13,274 | $ | $1,258,237 |
| Intersegment sales | 35,621 | 114,021 | 1,625 | 31,200 | 4,042 | | (186,509) | |
| Net sales | 152,439 | 276,827 | 355,744 | 171,418 | 475,044 | 13,274 | (186,509) | 1,258,237 |
| Adjusted operating profit (loss) | (6,712) | 42,066 | 21,813 | (20,385) | (16,635) | (17,824) | 16,169 | 18,492 |

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| | Nine Months Ended May 31, 2010 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Americas | | | International | | | | |
| (in thousands) | Recycling | Mills | Fabrication | Mills | Marketing and Distribution | Corporate | Eliminations | Consolidated |
| Net sales-unaffiliated customers | $ 872,041 | $ 623,078 | $813,782 | $450,142 | $1,726,496 | $ 4,316 | $ | $4,489,855 |
| Intersegment sales | 164,037 | 388,473 | 7,068 | 82,078 | 16,894 | 327 | (658,877) | |
| Net sales | 1,036,078 | 1,011,551 | 820,850 | 532,220 | 1,743,390 | 4,643 | (658,877) | 4,489,855 |
| Adjusted operating profit (loss) | 6,929 | (3,960) | (90,685) | (84,373) | 62,158 | (50,554) | 10,371 | (150,114) |
| Goodwill | 7,467 | 95 | 57,144 | 2,460 | 3,887 | | | 71,053 |
| Total assets | 298,598 | 586,669 | 708,625 | 675,290 | 670,163 | 967,570 | (342,415) | 3,564,500 |

| | Nine Months Ended May 31, 2009 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Americas | | | International | | | | |
| (in thousands) | Recycling | Mills | Fabrication | Mills | Marketing and Distribution | Corporate | Eliminations | Consolidated |
| Net sales-unaffiliated customers | $439,868 | $575,637 | $1,258,174 | $501,179 | $2,238,553 | $ (15,484) | $ | $4,997,927 |
| Intersegment sales | 111,812 | 369,964 | 10,146 | 62,182 | 43,567 | | (597,671) | |
| Net sales | 551,680 | 945,601 | 1,268,320 | 563,361 | 2,282,120 | (15,484) | (597,671) | 4,997,927 |
| Adjusted operating profit (loss) | (70,843) | 233,851 | 131,324 | (76,696) | (55,447) | (60,417) | (532) | 101,240 |
| Goodwill | 7,467 | | 58,878 | 2,640 | 4,715 | | | 73,700 |
| Total assets | 228,175 | 569,335 | 921,402 | 560,741 | 745,626 | 1,008,530 | (351,848) | 3,681,961 |

The following table provides a reconciliation of net loss from continuing operations attributable to CMC to adjusted operating profit (loss):

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| (in thousands) | 2010 | 2009 | 2010 | 2009 |
| Net loss from continuing operations attributable to CMC | $ (11,104) | $ (13,930) | $ (174,949) | $ (6,251) |
| Noncontrolling interests | 363 | (370) | 278 | (487) |
| Income taxes (benefit) | 3,952 | 13,368 | (36,101) | 41,813 |
| Interest expense | 18,184 | 18,433 | 57,871 | 62,277 |
| Discounts on sales of accounts receivable | 1,121 | 991 | 2,787 | 3,888 |
| Adjusted operating profit (loss) from continuing operations | $ 12,516 | $ 18,492 | $ (150,114) | $ 101,240 |

| | | | | |
|---|---|---|---|---|
| Adjusted operating profit (loss) from discontinued operations | 4,002 | 1,116 | (62,506) | 33,257 |
| Adjusted operating profit (loss) | $ 16,518 | $ 19,608 | $ (212,620) | $ 134,497 |

The following represents the Company s external net sales from continuing operations by major product and geographic area:

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| **(in thousands)** | **2010** | **2009** | **2010** | **2009** |
| Major product information: | | | | |
| Steel products | $ 998,538 | $ 866,842 | $ 2,614,756 | $ 3,410,789 |
| Industrial materials | 244,941 | 125,805 | 599,626 | 738,443 |
| Nonferrous scrap | 195,563 | 99,228 | 506,435 | 288,173 |
| Ferrous scrap | 190,514 | 36,008 | 407,266 | 181,685 |
| Construction materials | 64,546 | 70,130 | 166,863 | 225,549 |
| Nonferrous products | 52,817 | 35,157 | 132,557 | 112,264 |
| Other | 18,235 | 25,067 | 62,352 | 41,024 |
| Net sales | $ 1,765,154 | $ 1,258,237 | $ 4,489,855 | $ 4,997,927 |

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| (in thousands) | Three Months Ended May 31, 2010 | Three Months Ended May 31, 2009 | Nine Months Ended May 31, 2010 | Nine Months Ended May 31, 2009 |
|---|---|---|---|---|
| Geographic area: | | | | |
| United States | $ 936,410 | $ 688,025 | $ 2,284,434 | $ 2,939,005 |
| Europe | 371,839 | 242,485 | 905,467 | 999,966 |
| Asia | 268,189 | 169,955 | 746,013 | 478,532 |
| Australia/New Zealand | 133,261 | 104,790 | 395,402 | 411,956 |
| Other | 55,455 | 52,982 | 158,539 | 168,468 |
| Net sales | $ 1,765,154 | $ 1,258,237 | $ 4,489,855 | $ 4,997,927 |

**NOTE 13 RELATED PARTY TRANSACTIONS**

One of the Company s international subsidiaries has a marketing and distribution agreement with a key supplier of which the Company owns an 11% interest. The following presents related party transactions:

| (in thousands) | Nine Months Ended May 31, 2010 | Nine Months Ended May 31, 2009 |
|---|---|---|
| Sales | $202,475 | $229,565 |
| Purchases | 251,434 | 266,741 |

| (in thousands) | May 31, 2010 | August 31, 2009 |
|---|---|---|
| Accounts receivable | $37,439 | $12,664 |
| Accounts payable | 22,010 | 17,012 |

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**ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K filed with the SEC for the year ended August 31, 2009.

**CRITICAL ACCOUNTING POLICIES**

Our critical accounting policies are not different from the information set forth in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K filed with the SEC for the year ended August 31, 2009 and are, therefore, not presented herein.

**CONSOLIDATED RESULTS OF OPERATIONS**

| | Three Months Ended May 31, | | Increase (Decrease) | Nine Months Ended May 31, | | Decrease |
|---|---|---|---|---|---|---|
| **(in millions)** | **2010** | **2009** | **%** | **2010** | **2009** | **%** |
| Net sales | $ 1,765.2 | $ 1,258.2 | 40% | $ 4,489.9 | $ 4,997.9 | (10%) |
| Net loss from continuing operations attributable to CMC | (11.1) | (13.9) | 20% | (175.0) | (6.3) | (2,678%) |
| Adjusted EBITDA | 55.3 | 56.4 | (2%) | (54.7) | 247.1 | (122%) |

In the table above, we have included a financial statement measure that was not derived in accordance with accounting principles generally accepted in the United States ( GAAP ). We use adjusted EBITDA (earnings before interest expense, income taxes, depreciation, amortization and impairment charges) as a non-GAAP performance measure. In calculating adjusted EBITDA, we exclude our largest recurring non-cash charge, depreciation and amortization. Adjusted EBITDA provides a core operational performance measurement that compares results without the need to adjust for federal, state and local taxes which have considerable variation between domestic jurisdictions. Tax regulations in international operations add additional complexity. Also, we exclude interest cost in our calculation of adjusted EBITDA. The results are, therefore, without consideration of financing alternatives of capital employed. We use adjusted EBITDA as one guideline to assess our unleveraged performance return on our investments. Adjusted EBITDA is also the target benchmark for our long-term cash incentive performance plan for management and part of a debt compliance test for our revolving credit agreement and our accounts receivable securitization program. Reconciliations from net loss from continuing operations attributable to CMC to adjusted EDITDA are provided below:

| | Three Months Ended May 31, | | Increase (Decrease) | Nine Months Ended May 31, | | Increase (Decrease) |
|---|---|---|---|---|---|---|
| **(in millions)** | **2010** | **2009** | **%** | **2010** | **2009** | **%** |
| Net loss from continuing operations attributable to CMC | $ (11.1) | $ (13.9) | 20% | $ (175.0) | $ (6.3) | (2,678%) |
| Interest expense | 18.2 | 18.4 | (1%) | 57.9 | 62.3 | (7%) |
| Income taxes (benefit) | 4.0 | 13.4 | (70%) | (36.1) | 41.8 | (186%) |
| Depreciation, amortization and impairment charges | 40.2 | 35.2 | 14% | 125.5 | 109.3 | 15% |
| Adjusted EBITDA from continuing operations | $ 51.3 | $ 53.1 | (3%) | $ (27.7) | $ 207.1 | (113%) |
| Adjusted EBITDA from discontinued operations | 4.0 | 3.3 | 21% | (27.0) | 40.0 | (168%) |

| | | | | | |
|---|---|---|---|---|---|
| Adjusted EBITDA | $ 55.3 | $ 56.4 | (2%) | $ (54.7) | $ 247.1 | (122%) |

Our adjusted EBITDA does not include interest expense, income taxes, depreciation, amortization and impairment charges. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and our ability to generate revenues. Because we use capital assets, depreciation, amortization and impairment charges are also necessary elements of our costs. Also, the payment of income taxes is a necessary element of our operations. Therefore, any measures that exclude these elements have material limitations. To compensate for these limitations, we believe that it is appropriate to consider both net loss determined under GAAP, as well as adjusted EBITDA, to evaluate our performance. Also, we separately analyze any significant fluctuations in interest expense, depreciation, amortization, impairment charges and income taxes.

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The following events and performances had a significant impact during our third quarter ended May 31, 2010:

In response to volatile prices, weakening demand, and a global liquidity and credit crisis, we recorded the following consolidated expenses in continuing operations during the third quarter: job loss reserves of $8.9 million and lower of cost or market inventory adjustments of $5.9 million.

We recorded pre-tax LIFO expense of $34.4 million (after tax of $0.20 per diluted share) for the third quarter of 2010 compared to pre-tax LIFO income of $45.3 million (after tax of $0.26 per diluted share) for the third quarter of 2009.

Net sales of the Americas Recycling segment increased 183% and adjusted operating profit increased $22.5 million during the third quarter of 2010 compared to the prior year s third quarter primarily from improved demand which drove prices and volumes.

Net sales of the Americas Mills segment increased 47% from the prior year s third quarter but showed a decrease in adjusted operating profit of $28.9 million from the prior year s third quarter primarily due to an increase in ferrous scrap prices leading to metal margin compression and LIFO expense.

Our Americas Fabrication segment showed an 8% decrease in sales and a $46.3 million decrease in adjusted operating results as compared to the third quarter of 2009 due to the continued decline in market demand and average selling prices.

Our International Mills segment showed a 26% increase in net sales and a $9.5 million decrease in adjusted operating loss as compared to the same period in 2009 from increased demand and pricing in construction markets in Poland but continuing losses in Croatia.

Our International Marketing and Distribution segment reported a 35% increase in net sales and a $47.6 million increase in adjusted operating results as compared to the third quarter of 2009 due to margin expansion from this segments global presence and ability to source and sell in niche markets.

**SEGMENT OPERATING DATA**

Unless otherwise indicated, all dollar amounts below are calculated before income taxes. Financial results for our reportable segments are consistent with the basis and manner in which we internally disaggregate financial information for making operating decisions. See Note 12, Business Segments, to the consolidated financial statements. We use adjusted operating profit (loss) to compare and evaluate the financial performance of our segments. Adjusted operating profit (loss) is the sum of our earnings (loss) before income taxes and financing costs. The following tables show net sales and adjusted operating profit (loss) by business segment:

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| **(in thousands)** | **2010** | **2009** | **2010** | **2009** |
| Net sales: | | | | |
| Americas Recycling | $ 431,849 | $ 152,439 | $ 1,036,078 | $ 551,680 |
| Americas Mills | 407,105 | 276,827 | 1,011,551 | 945,601 |
| Americas Fabrication | 326,089 | 355,744 | 820,850 | 1,268,320 |
| International Mills | 215,690 | 171,418 | 532,220 | 563,361 |
| International Marketing and Distribution | 641,093 | 475,044 | 1,743,390 | 2,282,120 |
| Corporate | (1,240) | 13,274 | 4,643 | (15,484) |
| Eliminations | (255,432) | (186,509) | (658,877) | (597,671) |
| | $ 1,765,154 | $ 1,258,237 | $ 4,489,855 | $ 4,997,927 |

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| (in thousands) | Three Months Ended May 31, 2010 | 2009 | Nine Months Ended May 31, 2010 | 2009 |
|---|---|---|---|---|
| Adjusted operating profit (loss): | | | | |
| Americas Recycling | $ 15,806 | $ (6,712) | $ 6,929 | $ (70,843) |
| Americas Mills | 13,195 | 42,066 | (3,960) | 233,851 |
| Americas Fabrication | (24,452) | 21,813 | (90,685) | 131,324 |
| International Mills | (10,885) | (20,385) | (84,373) | (76,696) |
| International Marketing and Distribution | 30,941 | (16,635) | 62,158 | (55,447) |
| Corporate | (11,390) | (17,824) | (50,554) | (60,417) |
| Eliminations | (699) | 16,169 | 10,371 | (532) |
| Discontinued Operations | 4,002 | 1,116 | (62,506) | 33,257 |

**LIFO Impact on Adjusted Operating Profit (Loss)** LIFO is an inventory costing method that assumes the most recent inventory purchases or goods manufactured are sold first. This results in current sales prices offset against current inventory costs. In periods of rising prices it has the effect of eliminating inflationary profits from operations. In periods of declining prices it has the effect of eliminating deflationary losses from operations. In either case the goal is to reflect economic profit. The table below reflects LIFO income or (expense) representing decreases or (increases) in the LIFO inventory reserve. International Mills is not included in this table as it uses FIFO valuation exclusively for its inventory:

| (in thousands) | Three Months Ended May 31, 2010 | 2009 | Nine Months Ended May 31, 2010 | 2009 |
|---|---|---|---|---|
| Americas Recycling | $ (5,762) | $ 2,004 | $ (14,214) | $ 35,302 |
| Americas Mills | (22,852) | 16,442 | (37,992) | 144,254 |
| Americas Fabrication | (22,168) | 9,044 | (16,521) | 65,026 |
| International Marketing and Distribution | 7,913 | 6,569 | 33,816 | (24,622) |
| Discontinued Operations | 8,464 | 11,219 | 10,326 | 63,116 |
| Consolidated pre-tax LIFO income (expense) | $ (34,405) | $ 45,278 | $ (24,585) | $ 283,076 |

**Americas Recycling** During the third quarter of 2010, this segment reported its first substantial profit in seven quarters. Scrap prices increased during the quarter on the strength of the spring construction season and scrap flows improved from better weather. Adjusted operating profit for the third quarter of 2010 was driven by improved margins from both prices and volumes and cost containment efforts. Ferrous scrap margins gained predominately from volume increases while nonferrous margin improvement was split between price and volume. Margins were negatively impacted from LIFO expense of $5.8 million during the third quarter of 2010 as compared to LIFO income of $2.0 million in the same period of the prior year. We exported 11% of our ferrous tonnage and 36% of our nonferrous tonnage during the quarter.

The following table reflects our Americas Recycling segment s average selling prices per ton and tons shipped (in thousands):

| | Three Months Ended May 31, 2010 | 2009 | Increase Amount | % | Nine Months Ended May 31, 2010 | 2009 | Increase Amount | % |
|---|---|---|---|---|---|---|---|---|
| Average ferrous sales price | $ 303 | $ 146 | $ 157 | 108% | $ 262 | $ 177 | $ 85 | 48% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Average nonferrous sales price | $ 2,892 | $ 1,556 | $ 1,336 | 86% | $ 2,633 | $ 1,767 | $ 866 | 49% |
| Ferrous tons shipped | 671 | 371 | 300 | 81% | 1,702 | 1,304 | 398 | 31% |
| Nonferrous tons shipped | 61 | 50 | 11 | 22% | 175 | 147 | 28 | 19% |
| Total volume processed and shipped | 734 | 424 | 310 | 73% | 1,884 | 1,463 | 421 | 29% |

**Americas Mills** We include our five domestic steel mills and our copper tube minimill in our Americas Mills segment.

The steel mills adjusted operating profit was $11.5 million for the third quarter of 2010 compared to adjusted operating profit of $39.2 million from the prior year s third quarter. The quarterly adjusted operating profit decreased due to ferrous margin compression as scrap prices increased greater than average selling prices during the quarter. Additionally, we recorded LIFO expense of $20.5 million in the third quarter of 2010 as compared to LIFO income of $17.3 million for the third quarter of 2009 as a result of rising scrap prices. Volumes, particularly rebar, increased over the third quarter of 2009 and were driven by seasonal demand, continued strong public works and some stimulus projects. Our mills ran at 75% of capacity, an increase from the 58% in the second quarter of 2010. Sales volumes included 69 thousand tons of billets, an increase of 32 thousand tons over the prior year s third quarter. Higher production volumes as well as price increases in some alloys, electricity and natural gas rates resulted in an overall increase of $6.3

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million in electrode, alloys and energy costs for the third quarter in 2010 as compared to the same period in the prior year. Our micromill in Arizona continued to perform to expectations as it continued to ramp up operations by melting, rolling and shipping over 51 thousand tons during the third quarter of 2010.

The table below reflects steel and ferrous scrap prices per ton:

| | Three Months Ended May 31, | | Increase (Decrease) | | Nine Months Ended May 31, | | Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | Amount | % | 2010 | 2009 | Amount | % |
| Average mill selling price (finished goods) | $ 651 | $ 583 | $ 68 | 12% | $ 604 | $ 694 | $ (90) | (13%) |
| Average mill selling price (total sales) | 631 | 564 | 67 | 12% | 566 | 673 | (107) | (16%) |
| Average cost of ferrous scrap consumed | 328 | 199 | 129 | 65% | 293 | 251 | 42 | 17% |
| Average FIFO metal margin | 303 | 365 | (62) | (17%) | 273 | 422 | (149) | (35%) |
| Average ferrous scrap purchase price | 302 | 152 | 150 | 99% | 258 | 193 | 65 | 34% |

The table below reflects our domestic steel mills operating statistics (short tons in thousands):

| | Three Months Ended May 31, | | Increase | | Nine Months Ended May 31, | | Increase | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | Amount | % | 2010 | 2009 | Amount | % |
| Tons melted | 579 | 396 | 183 | 46% | 1,544 | 1,130 | 414 | 37% |
| Tons rolled | 523 | 365 | 158 | 43% | 1,277 | 1,049 | 228 | 22% |
| Tons shipped | 588 | 427 | 161 | 38% | 1,607 | 1,250 | 357 | 29% |

Our copper tube minimill s adjusted operating profit for the third quarter of 2010 decreased $1.2 million to $1.7 million compared to the third quarter of 2009 primarily due to an increase in LIFO expense of $1.5 million.

The table below reflects our copper tube minimill s operating statistics:

| | Three Months Ended May 31, | | Decrease | | Nine Months Ended May 31, | | Decrease | |
|---|---|---|---|---|---|---|---|---|
| (pounds in millions) | 2010 | 2009 | Amount | % | 2010 | 2009 | Amount | % |
| Pounds shipped | 12.0 | 14.2 | (2.2) | (15%) | 31.6 | 35.4 | (3.8) | (11%) |
| Pounds produced | 11.4 | 13.7 | (2.3) | (17%) | 30.4 | 33.2 | (2.8) | (8%) |

**Americas Fabrication** During the third quarter of 2010, this segment showed several positive trends even though net sales and adjusted operating results decreased from the third quarter of 2009. With relatively stable steel pricing during the quarter margin compression eased which minimized the need for accruing potential contractual losses. Additionally, backlogs and customer confidence in pricing increased and public works remained the most active end-use market. Commercial and industrial markets continue to report high unemployment, illiquidity, high vacancy rates and suboptimal manufacturing utilization. Results were negatively impacted from LIFO expense of $22.2 million recorded during the third quarter of 2010 as compared to LIFO income of $9.0 million in the third quarter of 2009. The composite average fabrication selling price was $768 per ton, a decline of $210 per ton from the third quarter of

2009.

The tables below show our average fabrication selling prices per short ton and total fabrication plant shipments:

| | Three Months Ended May 31, | | Decrease | | Nine Months Ended May 31, | | Decrease | |
|---|---|---|---|---|---|---|---|---|
| **Average selling price*** | **2010** | **2009** | **Amount** | **%** | **2010** | **2009** | **Amount** | **%** |
| Rebar | $ 716 | $ 924 | $ (208) | (23%) | $ 715 | $ 1,036 | $ (321) | (31%) |
| Structural | 1,884 | 2,811 | (927) | (33%) | 1,859 | 3,198 | (1,339) | (42%) |
| Post | 870 | 941 | (71) | (8%) | 870 | 1,000 | (130) | (13%) |

* Excludes stock and buyout sales.

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| | Three Months Ended | | | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | May 31, | | Increase (Decrease) | | May 31, | | Increase (Decrease) | |
| Tons shipped (in thousands) | 2010 | 2009 | Amount | % | 2010 | 2009 | Amount | % |
| Rebar | 230 | 236 | (6) | (3%) | 591 | 766 | (175) | (23%) |
| Structural | 16 | 12 | 4 | 33% | 39 | 57 | (18) | (32%) |
| Post | 35 | 22 | 13 | 59% | 77 | 48 | 29 | 60% |

**International Mills** Economic growth, rising prices and metal margin expansion resulted in an increase in net sales and adjusted operating results for this segment as compared to the same period in the prior year. CMCZ had an adjusted operating profit of $1.1 million during the third quarter of 2010 compared to an adjusted operating loss of $11.9 million during the third quarter 2009. Metal margins expanded due to improved finished goods pricing from increased demand in construction markets. During the quarter we hot commissioned our new flexible rolling mill which, when combined with our existing long products, wire rod mills, and rod block, will enable us to upgrade, expand and tailor our product offerings. Shipments included 69 thousand tons of billets, which is comparable to billet shipments in the prior year s third quarter.

The table below reflects CMCZ s operating statistics (in thousands) and average prices per short ton:

| | Three Months Ended | | | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | May 31, | | Increase | | May 31, | | Increase (Decrease) | |
| | 2010 | 2009 | Amount | % | 2010 | 2009 | Amount | % |
| Tons melted | 394 | 324 | 70 | 22% | 1,086 | 857 | 229 | 27% |
| Tons rolled | 295 | 253 | 42 | 17% | 797 | 716 | 81 | 11% |
| Tons shipped | 363 | 328 | 35 | 11% | 1,000 | 860 | 140 | 16% |
| Average mill selling price (total sales) | 1,477PLN | 1,172PLN | 305PLN | 26% | 1,304PLN | 1,440PLN | (136)PLN | (9%) |
| Average ferrous scrap production cost | 996PLN | 695PLN | 301PLN | 43% | 860PLN | 822PLN | 38PLN | 5% |
| Average metal margin | 481PLN | 477PLN | 4PLN | 1% | 444PLN | 618PLN | (174)PLN | (28%) |
| Average ferrous scrap purchase price | 861PLN | 553PLN | 308PLN | 56% | 716PLN | 626PLN | 90PLN | 14% |
| Average mill selling price (total sales) | $ 493 | $ 351 | $ 142 | 40% | $ 448 | $ 494 | $ (46) | (9%) |
| Average ferrous scrap production cost | $ 332 | $ 206 | $ 126 | 61% | $ 297 | $ 266 | $ 31 | 12% |
| Average metal margin | $ 161 | $ 145 | $ 16 | 11% | $ 151 | $ 228 | $ (77) | (34%) |
| Average ferrous scrap purchase price | $ 285 | $ 165 | $ 120 | 73% | $ 250 | $ 210 | $ 40 | 19% |

PLN Polish zlotys

CMC Sisak ( CMCS ) reported an adjusted operating loss of $12.0 million for the third quarter of 2010 as compared to an adjusted operating loss of $8.5 million in the third quarter of 2009 primarily due to declining sales prices and margins. CMCS completed its furnace renovation during the third quarter of 2010, produced six thousand tons of steel with the new furnace and significantly increased its backlog. CMCS produced 14 thousand tons and sold 16 thousand tons during the third quarter as compared to 21 thousand tons produced and 22 thousand tons sold during the prior year s third quarter.

Our fabrication operations in Poland and Germany had an adjusted operating loss of $1.7 million during the third quarter of 2010, a decrease in adjusted operating results of $0.6 million from the third quarter of 2009. These results are included in the overall results of CMCZ discussed above.

**International Marketing and Distribution** This segment reported an increase in sales and adjusted operating results as our international geographic presence and ability to source and sell in niche markets allowed us to profit despite an uneven world economic recovery. Improved pricing minimized the need for contract and inventory loss charges during the third quarter of 2010 and this segment has reduced the number of contractual noncompliance issues experienced in the third quarter of 2009. All of our major geographic marketing operations were profitable during the third quarter of 2010.

**Corporate** Our corporate expenses decreased $6.4 million and $9.8 million for the three and nine months ended May 31, 2010 compared to the same periods from the prior year primarily due to our cost containment initiative and fewer costs associated with global installation of SAP software.

**Discontinued Operations** Adjusted operating profit for our divisions classified as discontinued operations was $4.0 million for the third quarter of 2010 as compared to an adjusted operating profit of $1.1 million for the third quarter of 2009. The increase in adjusted operating profit is primarily from a loss recorded in the third quarter 2009 for our U.S. trading division which is not included in the results for the third quarter of 2010. This is offset by a decrease in LIFO income from $11.2 million in the third quarter of 2009 to $8.5 million in the third quarter of 2010. Additionally, we recorded $1.7 million of severance costs in the third quarter of 2010 related to our joist and deck business. Our operating results for discontinued operations for the nine months ended May 31, 2010 include

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significant costs associated with the decision to exit the joist and deck business during the second quarter of 2010. The results for the three and nine months ended May 31, 2009 include our joist and deck business in addition to one of our U.S. trading divisions which was winding down operations and dissolved as of August 31, 2009.

**Consolidated Data** On a consolidated basis, the LIFO method of inventory valuation increased our net loss on a pre-tax basis by $34.4 million (after tax loss of $0.20 per diluted share) for the third quarter of 2010 as compared to decreasing our net loss on a pre-tax basis by $45.3 million (after tax income of $0.26 per diluted share) for last year s third quarter. The LIFO method of inventory valuation increased our net loss on a pre-tax basis by $24.6 million (after tax loss of $0.14 per diluted share) for the nine months ended May 31, 2010 as compared to increasing our net income on a pre-tax basis by $283.1 million (after tax income of $1.64 per diluted share) for the same period in the prior year.

Our overall selling, general and administrative expenses decreased by $53.3 million and $62.2 million for the three and nine months ended May 31, 2010, as compared to the same periods last year, primarily from our cost containment initiative, reductions in bad debt expense and fewer costs associated with the global installation of SAP software offset by an increase in severance costs associated with reductions in workforce.

During the three months ended May 31, 2010, interest expense of $18.2 million was consistent with the same period in the prior year. For the nine months ended May 31, 2010 interest expense decreased $4.4 million over the same period in the prior year primarily from a reduction in the use of discounted letters of credit and a decrease in interest expense of $2.1 million related to interest rate swap transactions. This was offset by an increase in outstanding debt internationally.

For the three and nine months ended May 31, 2010, our effective tax rate for continuing operations was (58.2%) and 17.1%, respectively. The tax benefit for the nine months ended May 31, 2010 includes a valuation allowance of $29.6 million (an offsetting tax expense), of which, $23.8 million was recorded during the second quarter of 2010. This allowance was recorded against a deferred tax asset originally booked for the tax benefit of net operating loss carry forwards of our Croatian subsidiary. Due to the uncertainty of realization during the limited carry forward period, this has been reversed. Excluding this charge, the effective tax rate for the operating loss from continuing operations for the nine months ended May 31, 2010 was 31.2%, lower than the statutory rate due to losses in low tax rate jurisdictions, primarily Poland. Our effective rate for the three and nine months ended May 31, 2009 was (1,434.3%) and 119.2%, respectively, which varies significantly from our statutory rate due to lower tax rate jurisdictions (predominately international) incurring losses, higher rate jurisdictions generating income and the effect of permanent differences having a greater impact at lower levels of pre-tax income.

For the three and nine months ended May 31, 2010, our effective tax rate for discontinued operations was 43.1% and 38.6%, respectively, compared to 19.9% and 39.1% for the three and nine months ended May 31, 2009.

**OUTLOOK**

We believe we will be moderately profitable in our fourth quarter of 2010. We anticipate our fourth quarter results to improve from our third quarter results primarily due to seasonal factors. However, global economies remain fragile and any further fallout due to the public debt problems of Greece and other countries within the euro zone could further slow global growth. Scrap and steel prices have declined in major international markets since the end of the third quarter. While this correction was anticipated, any further significant declines could impact future results. The nonresidential construction market in the U.S. should continue to be relatively good in the public sector; however, the private sector is likely to remain weak.

**LIQUIDITY AND CAPITAL RESOURCES**

See Note 6 Credit Arrangements, to the consolidated financial statements.

We believe we have adequate access to several sources of contractually committed borrowings and other available credit facilities, however, we could be adversely affected if our banks, the potential buyers of our commercial paper or other of the traditional sources supplying our short term borrowing requirements refuse to honor their contractual commitments, cease lending or declare bankruptcy. While we believe the lending institutions participating in our credit arrangements are financially capable, recent events in the global credit markets, including the failure, takeover or rescue by various government entities of major financial institutions, have created uncertainty of credit availability to an extent not experienced in recent decades.

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Our sources, facilities and availability of liquidity and capital resources as of May 31, 2010 (in thousands):

| Source | Total Facility | Availability |
|---|---|---|
| Cash and cash equivalents | $ 289,630 | $ N/A |
| Commercial paper program* | 400,000 | 390,000 |
| Domestic accounts receivable securitization | 100,000 | 100,000 |
| International accounts receivable sales facilities | 172,278 | 44,767 |
| Bank credit facilities uncommitted | 731,478 | 419,029 |
| Notes due from 2013 to 2018 | 1,100,000 | ** |
| CMCZ term note | 72,376 | |
| CMCS term facility | 49,200 | 30,700 |
| Trade financing arrangements | ** | As required |
| Equipment notes | 9,155 | ** |

* The commercial paper program is supported by our $400 million unsecured revolving credit agreement. The availability under the revolving credit agreement is reduced by $10.0 million of commercial paper outstanding as of May 31, 2010.

** With our investment grade credit ratings, we believe we have access to additional financing and refinancing, if needed.

We utilize uncommitted credit facilities to meet short-term working capital needs. Our uncommitted credit facilities primarily support import letters of credit (including accounts payable settled under bankers acceptances), foreign exchange transactions and short term advances.

Our 5.625% $200 million notes due November 2013, 6.50% $400 million notes due July 2017 and our 7.35% $500 million notes due August 2018 require only interest payments until maturity. Our CMCZ note requires interest and principal payments and our CMCS facility requires interest and principal payments beginning in 2011. We expect cash from operations to be sufficient to meet all interest and principal payments due within the next twelve months and we believe we will be able to get additional financing or refinance these notes when they mature.

Certain of our financing agreements include various financial covenants. We amended the existing revolving credit facility and accounts receivable securitization agreement to modify the covenant structure which requires us to maintain a minimum interest coverage ratio (EBITDA to interest expense) of not less than 2.50 to 1.00 for the three month period ending May 31, 2010, six month cumulative period ending August 31, 2010, nine month cumulative period ending November 30, 2010, twelve month cumulative period ending February 28, 2011 and for each fiscal quarter on a rolling twelve month cumulative period thereafter. At May 31, 2010, our interest coverage ratio was 3.04. The agreements also require us to maintain liquidity of at least $300 million (cash, short-term investments, and accounts receivable securitization capacity combined) through November 30, 2010. The agreements did not change the existing debt to capitalization ratio covenant which requires us to maintain a ratio not greater than 0.60 to 1.00. At May 31, 2010, the Company s debt to capitalization ratio was 0.54. Current market conditions, including volatility of metal prices, LIFO adjustments, mark to market adjustments on inventories, reserves for future job losses, the level of allowance for doubtful accounts, the amount of interest capitalized on capital projects and the proceeds received upon sale of our joist and deck operations could impact our ability to meet the interest coverage ratio for the fourth quarter of fiscal 2010. The revolving credit facility and accounts receivable securitization are used as alternative sources of liquidity. Our public debt does not contain these covenants.

The CMCZ term note contains certain financial covenants. The agreement requires a debt to equity ratio of not greater than 0.80 to 1.00 and a tangible net worth to exceed PLN 600 million ($181 million). At May 31, 2010, CMCZ was in compliance with both of these covenants and the debt to equity ratio was 0.74 and the tangible net worth was PLN 641 million ($193 million). Additionally, the agreement requires a debt to EBITDA ratio not greater than 3.50 to 1.00 and an interest coverage ratio of not less than 1.20 to 1.00. At May 31, 2010, CMCZ was not in compliance with these covenants which resulted in a guarantee by Commercial Metals continuing to be effective. As a result of the guarantee, the financial covenant requirements became void; however, all other terms of the loan remain in effect, including the payment schedule. The guarantee will cease to be effective when CMCZ is in compliance with the financial covenants of the parent guarantee for two consecutive quarters.

We regularly maintain a substantial amount of accounts receivable. Recent economic conditions and a continued recession have had negative effects on the liquidity of our customers which has resulted in historically higher defaults on accounts receivable. We actively monitor our accounts receivable and record allowances as soon as we believe they are uncollectible based on current market conditions and customers financial condition. Continued pressure on the liquidity of our customers could result in additional reserves

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as we make our assessments in the future. We use credit insurance both in the U.S. and internationally to mitigate the risk of customer insolvency. We estimate the amount of credit insured receivables (and those covered by export letters of credit) was approximately 63% of total receivables at May 31, 2010.

**Off-Balance Sheet Arrangements** For added flexibility, we may secure financing through securitization and sales of certain accounts receivable both in the U.S. and internationally. See Note 3, Sales of Accounts Receivable, to the consolidated financial statements. We may sell accounts receivable on an ongoing basis to replace those receivables that have been collected from our customers. Our domestic securitization program contains certain cross-default provisions whereby a termination event could occur should we default under another credit arrangement, and contains covenants that conform to the same requirements contained in our revolving credit agreement. Compliance with these covenants is discussed above.

**Cash Flows** Our cash flows from operating activities primarily result from sales of steel and related products, and to a lesser extent, sales of nonferrous metal products. We also sell and rent construction-related products and accessories. We have a diverse and generally stable customer base. We use futures or forward contracts as needed to mitigate the risks from fluctuations in foreign currency exchange rates and nonferrous metals commodity prices.

During the nine months ended May 31, 2010, we generated $17.5 million of net cash flows from operating activities as compared to $668.8 million in the first nine months of 2009. Fiscal 2010 generated less cash than 2009 from a decrease in our net operating results and fluctuations in working capital. Significant fluctuations in working capital were as follows:

Accounts receivable accounts receivable increased for the first nine months of 2010 as sales and prices began improving during the third quarter of 2010 as compared to sales and prices significantly declining during the first nine months of 2009 due to the global recession;

Inventory more cash was used in the first nine months of 2010 as inventory balances were significantly reduced at the end of fiscal 2009 because of customer destocking in 2009; and

Accounts payable less cash was used in the first nine months of 2010 as current liabilities had been reduced at the end of fiscal 2009 due to low volume from the global recession and as higher volume in 2010 increased accounts payable.

During the nine months ended May 31, 2010, we used $133.9 million of net cash flows from investing activities as compared to $288.9 million during the nine months ended May 31, 2009. We invested $109.5 million in property, plant and equipment during the first nine months of 2010, a decrease of $180.9 million over the first nine months of 2009. This decrease was partially offset by a use of cash for deposits for letters of credit of $27.2 million.

We expect our total capital budget for fiscal 2010 to be approximately $125 million, including $26 million for the melt shop upgrade at CMCS, $23 million for the flexible rolling mill at CMCZ, $24 million for the construction of the micromill in Arizona, and $24 million for safety, environmental and required maintenance. We continuously assess our capital spending and reevaluate our requirements based upon current and expected results.

During the nine months ended May 31, 2010, we generated $3.7 million of net cash flows from financing activities as compared to using $151.1 million during the nine months ended May 31, 2009. The increase in cash generated was primarily due to net borrowings on short-term and long-term debt of $63.8 million in the first nine months of 2010 as compared to net repayments of $92.1 million for the same period in 2009. This was offset by decreased documentary letters of credit which resulted in a change in the use of cash of $30.4 million as compared to the first nine months of 2009. During the first nine months of 2010, we made no purchases of our common stock as part of our stock repurchase program compared to using $18.5 million in the same period of last year and our cash dividends have remained consistent at approximately $41 million for both periods.

Our contractual obligations for the next twelve months of $860 million are typically expenditures with normal revenue producing activities. We believe our cash flows from operating activities and debt facilities are adequate to fund our ongoing operations and planned capital expenditures.

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**CONTRACTUAL OBLIGATIONS**

The following table represents our contractual obligations as of May 31, 2010 (in thousands):

| | Payments Due By Period* | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
| Contractual obligations: | | | | | |
| Long-term debt(1) | $ 1,204,468 | $ 28,634 | $ 62,164 | $ 210,090 | $ 903,580 |
| Notes payable | 53,126 | 53,126 | | | |
| Interest(2) | 463,085 | 68,124 | 131,272 | 114,080 | 149,609 |
| Commercial paper | 10,000 | 10,000 | | | |
| Operating leases(3) | 158,836 | 40,965 | 59,295 | 34,025 | 24,551 |
| Purchase obligations(4) | 801,007 | 659,549 | 79,330 | 49,447 | 12,681 |
| Total contractual cash obligations | $ 2,690,522 | $ 860,398 | $ 332,061 | $ 407,642 | $ 1,090,421 |

* We have not discounted the cash obligations in this table.

(1) Total amounts are included in the May 31, 2010 consolidated balance sheet. See Note 6, Credit Arrangements, to the consolidated financial statements.

(2) Interest payments related to our short-term debt are not included in the table as they do not represent a significant obligation as of May 31, 2010. Also, includes the effect of our

interest rate swaps based on the LIBOR forward rate at May 31, 2010.

(3) Includes minimum lease payment obligations for non-cancelable equipment and real estate leases in effect as of May 31, 2010.

(4) Approximately 81% of these purchase obligations are for inventory items to be sold in the ordinary course of business. Purchase obligations include all enforceable, legally binding agreements to purchase goods or services that specify all significant terms, regardless of the duration of the agreement. Agreements with variable terms are excluded because we are unable to estimate the minimum amounts.

**Other Commercial Commitments** We maintain stand-by letters of credit to provide support for certain transactions that our insurance providers and suppliers request. At May 31, 2010, we had committed $31.5 million under these arrangements, of which $27.2 million is cash collateralized. All of the commitments expire within one year.

**CONTINGENCIES**

See Note 11 Commitments and Contingencies, to the consolidated financial statements.

In the ordinary course of conducting our business, we become involved in litigation, administrative proceedings and government investigations, including environmental matters. We may incur settlements, fines, penalties or judgments because of some of these matters. While we are unable to estimate precisely the ultimate dollar amount of exposure or loss in connection with these matters, we make accruals as warranted. The amounts we accrue could vary substantially from amounts we pay due to several factors including the following: evolving remediation technology, changing regulations, possible third-party contributions, the inherent shortcomings of the estimation process, and the uncertainties involved in litigation. Accordingly, we cannot always estimate a meaningful range of possible exposure. We believe that we have adequately provided in our consolidated financial statements for the potential impact of these contingencies. We also believe that the outcomes will not significantly affect the long-term results of operations or our financial position. However, they may have a material impact on operations for a particular quarter.

We are subject to federal, state and local pollution control laws and regulations in all locations where we have operating facilities. We anticipate that compliance with these laws and regulations will involve continuing capital expenditures and operating costs.

**FORWARD-LOOKING STATEMENTS**

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ), and the Private Securities Litigation Reform Act of 1995, with respect to our financial condition, results of operations, cash flows and business, and our expectations or beliefs concerning future events, including net earnings (loss), economic conditions, credit availability, product pricing and demand, currency valuation, production rates, energy expense, interest rates, inventory levels, acquisitions, construction and operation of new facilities

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and general market conditions. These forward-looking statements can generally be identified by phrases such as we or our management expects, anticipates, believes, estimates, intends, plans to, ought, could, will, shou projects, forecasts, outlook or other similar words or phrases. There are inherent risks and uncertainties in any forward-looking statements. Variances will occur and some could be materially different from our current opinion. Developments that could impact our expectations include the following:

absence of global economic recovery or possible recession relapse;

solvency of financial institutions and their ability or willingness to lend;

success or failure of governmental efforts to stimulate the economy including restoring credit availability and confidence in a recovery;

continued debt problems in Greece and other countries within the euro zone;

customer non-compliance with contracts;

construction activity;

decisions by governments affecting the level of steel imports, including tariffs and duties;

stimulus spending;

ability to integrate acquisitions into operations;

litigation claims and settlements;

difficulties or delays in the execution of construction contracts resulting in cost overruns or contract disputes;

unsuccessful implementation of new technology;

inability to sell operations or assets at fair values;

metals pricing over which we exert little influence;

increased capacity and product availability from competing steel minimills and other steel suppliers including import quantities and pricing;

execution of cost minimization strategies;

availability of customer credit and liquidity;

scrap metal, energy, insurance and supply prices;

sovereign debt concerns;

actual costs associated with exiting the joist and deck business;

ability to retain key executives;

court decisions;

changes in state and local jurisdictions ability to fund infrastructure projects;

industry consolidation or changes in production capacity or utilization;

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global factors including political and military uncertainties;

currency fluctuations;

interest rate changes;

scrap metal, energy, insurance and supply prices;

severe weather, especially in Poland; and

the pace of overall economic activity, particularly China.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

During the third quarter of 2010, the Company entered into two interest rate swap transactions to maintain a portion of the Company s debt obligations at variable interest rates. The interest rate swap transactions modified the fixed rate interest to floating rate interest on $500 million of the Company s aggregate public debt obligations of $1.1 billion. If interest rates increased or decreased by one percentage point, the impact of interest expense related to our variable-rate debt would be $1.3 million on a quarterly basis.

All other information required hereunder for the Company is not materially different from the information set forth in Item 7a. Quantitative and Qualitative Disclosures about Market Risk included in the Company s Annual Report on Form 10-K for the year ended August 31, 2009, filed with the SEC and is, therefore, not presented herein. Additionally, see Note 9 Derivatives and Risk Management, to the consolidated financial statements.

**ITEM 4. CONTROLS AND PROCEDURES**

The term disclosure controls and procedures is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods, including controls and disclosures designed to ensure that this information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report, and they have concluded that as of that date, our disclosure controls and procedures were effective.

No change to our internal control over financial reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Reference is made to the information incorporated by reference from Item 3. Legal Proceedings in the Company s Annual Report on Form 10-K filed with the SEC for the year ended August 31, 2009.

**ITEM 1A. RISK FACTORS**

Not Applicable.

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**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS [LEGAL TO UPDATE]**

Issuer Purchases of Equity Securities

| | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| As of March 1, 2010 | | | | 8,259,647(1) |
| March 1 - March 31, 2010 | 3,489(2) | $ 17.85 | | 8,259,647(1) |
| April 1 - April 30, 2010 | 483(2) | $ 16.14 | | 8,259,647(1) |
| May 1 - May 31, 2010 | | | | 8,259,647(1) |
| As of May 31, 2010 | 3,972(2) | $ 17.64 | | 8,259,647(1) |

(1) Shares available to be purchased under the Company s Share Repurchase Program publicly announced October 21, 2008.

(2) Shares tendered to the Company by employee stock option holders in payment of the option purchase price due upon exercise.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

Not Applicable.

**ITEM 6. EXHIBITS**

Exhibits required by Item 601 of Regulation S-K:

10.1

| | |
|---|---|
| | ISDA® International Swap Dealers Association, Inc. Master Agreement, dated as of April 4, 2002, between Commercial Metals Company and Goldman Sachs Capital Markets, L.P. (filed as Exhibit 10.1 to Commercial Metals Form 8-K filed March 24, 2010 and incorporated herein by reference). |
| 10.2 | Schedule to the Master Agreement, dated as of April 4, 2002, between Goldman Sachs Capital Markets, L.P. and Commercial Metals Company (filed as Exhibit 10.2 to Commercial Metals Form 8-K filed March 24, 2010 and incorporated herein by reference). |
| 10.3 | General Guarantee Agreement, dated December 1, 2008 from The Goldman Sachs Group, Inc. (filed as Exhibit 10.3 to Commercial Metals Form 8-K filed March 24, 2010 and incorporated herein by reference). |
| 10.4 | Employment Agreement by and between Joseph Alvarado and Commercial Metals Company dated April 16, 2010 (filed herewith). |
| 31.1 | Certification of Murray R. McClean, Chairman of the Board, President and Chief Executive Officer of Commercial Metals Company, pursuant to Section 302 to the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 31.2 | Certification of William B. Larson, Senior Vice President and Chief Financial Officer of Commercial Metals Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32.1 | Certification of Murray R. McClean, Chairman of the Board, President and Chief Executive Officer of Commercial Metals Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith). |
| 32.2 | Certification of William B. Larson, Senior Vice President and Chief Financial Officer of Commercial Metals Company, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith). |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMERCIAL METALS COMPANY

| | |
|---|---|
| July 9, 2010 | /s/ William B. Larson<br>William B. Larson<br>Senior Vice President &<br>Chief Financial Officer |
| July 9, 2010 | /s/ Leon K. Rusch<br>Leon K. Rusch<br>Controller |

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INDEX TO EXHIBITS

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