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September 16, 2007 @ 10 pm

Registration Effective August 27th and Now Operational

We hope to resume the publication of detailed graphics or data backup in coming weeks. On September 4th Joseph Reagor joined our team, and on October 1st another research addition should report. We contemplate an office manager as well.

ALL METALS PRICES RISE, INVENTORIES MIXED AS COPPER AND LEAD FALL WHILE ALUMINUM, NICKEL AND ZINC INVENTORIES RISE

- All metals prices rose in the past week ended September 14th. Lead led the way with a 13% or \$0.17 per pound rise again to \$1.50, nickel rose 6.5%, copper and zinc each rose 4%, silver 3% and steel scrap, gold and aluminum each rose 1%-2%. Higher oil, the weaker dollar, continued central bank liquidity stimuli and growth expectations benefited metals prices.
- It is possible that higher oil or the weaker dollar could prove COUNTER-productive to metals prices if unexpectedly interest rates rise or demand growth proves less explosive.
- Copper, lead and tin inventories fell, while aluminum, nickel and zinc inventories rose for the fourth, eleventh and third straight weeks. Commodity exchange aluminum inventories over 1.2 mmt and nickel about to exceed 30,000 tonnes are bearish considerations, while copper inventories are less than 7,000 tonnes above their 2007 low and just under 143,000 tonnes above their July 2005 almost twenty year low.
- In general, inventory levels are favorable for the seasonally softer second half. Some metals are more robust, like lead or copper, while aluminum or nickel appear worse.
- Wood prices fell, and severe cuts in lumber output took hold.

ALUMINUM PRICE GAIN MINIMAL WHILE INVENTORIES SURGE

The shift to a titanium-composite intensive design of the Airbus A350 in direct imitation of the Boeing 787 Dreamliner is a blow to Alcoa, Rio Tinto Alcan, Kaiser Aluminum and other big investees in heat treated sheet and plate capacity. While aerospace represents just 2% or 3% of U.S. and under 2% of global demand in pounds, its selling prices are over three times those of mainstream fabricated items such as beverage can body sheet. Heat treated alloys may command ten times the profit margin of the fabricated margin above the ingot profit margin for beverage can sheet.

Aluminum's minor \$0.008 per pound rise to \$1.09 last week was the least significant rise among any metals. LME gains drove the 33,300 tonne rise in combined commodity exchange inventories to 1.21 mmt.

The "mix shift" away from big SUVs, the U.S. construction downturn and possibly the winding down of Beijing Olympic preparations may cause demand to fall short of the 9%-10% demand growth trend seen in the 2007 first half.

Output cuts may begin to appear, but \$1.09 per pound is too high to prompt very many yet. We expect a price bottom somewhere between \$0.75 and \$1.00 per pound, and estimate LME prices at \$1.19 in 2007, \$1.12 in 2008 and \$0.95 in 2009.

COPPER INVENTORY BEHAVIOR ENCOURAGING

The failure of a rise in copper inventories to develop in the third-quarter is very contra-seasonal, and highly encouraging. The WBMS reported to June 2007 ytd that demand grew 4.8% paced by 40% demand growth in China and net declines in the rest of the world offsetting 30%-40% of China's growth. A continuation of stable inventories would suggest demand is at least that strong, or perhaps the regional declines reported outside China are not as severe.

Any continuation of this trend in the 2007 fourth-quarter might "set the table" for a 2008 average price above the \$3.20 we estimate for 2007 and \$3.00 per pound for 2008. The \$2.00 long-term price we estimate for 2009 onwards hopefully will prove conservative.

This past week prices rose \$0.13 to \$3.39 per pound as combined exchange inventories fell 6,062 tonnes to 214,075 tonnes.

NICKEL INVENTORIES CONTINUE TO BUILD

It is encouraging that LME spot prices rose \$0.79 or 6.5% to \$12.86. This is the fourth straight week that prices have NOT set a new low since bottoming near \$11.61 in the week ended August 19th.

However, inventories again rose rapidly by 3,258 tonnes to 29,190 tonnes. This is the fourth week in which LME inventories rose over 3,000 tonnes including September 16th, September 2nd, August 12th, and almost that much July 29th. There is no evidence that

steelmakers have enough confidence in stainless restocking among distributors or end users to buy nickel.

GOLD AND SILVER RISE

Gold closed above \$700 for the second straight week and the third individual week other than May 15, 2006 since January 1980. The 1.3% rise to \$709.60 and silver's \$0.40 rise to \$12.99 per oz were encouraging.

Much bigger moves are conceivable given the size of the monetary injections from several of the world's largest central banks. It is conceivable that the U.S. Fed cuts interest rates, although it is also possible that market forces push them up too if bond buyers disappointed from the past year's event postpone purchases to force better yields.

LEAD INVENTORIES DECLINE EVEN MORE

Lead remains reasonably close to the July 22nd weekly record near \$1.58 per pound, and has exceeded aluminum and zinc for the first times in history for almost three months for aluminum and one month for zinc by now. Lead rose \$0.17 per pound to \$1.50 as inventories fell 1,050 tonnes on the LME to 23,425 tonnes.

ZINC INVENTORIES RISE FOR THIRD STRAIGHT WEEK

Zinc prices rose \$0.05 to \$1.31 per pound as combined LME and Shanghai inventories rose 2,216 tonnes to 103,841 tonnes. The three straight weeks of rising inventories could suggest an inflection point, which we would attribute more to increased output than global slowdown. New output in Bolivia, Tennessee, possibly China and gradual debottlenecking from various locations could be greater than expected.

STEEL SCRAP

Steel scrap has inched up. Number one busheling in Chicago, Nucor's key sheet surcharge benchmark grade, rose to \$332 and the #1 heavy melt composite rose \$6.25 to \$265.00. CVRD's curtailment of iron ore deliveries to certain charcoal blast furnace independent pig iron producers on environmental, safety, child labor or other social grounds has constrained clear inputs to electric furnaces, and world demand remains favorable.

URANIUM STEADY

Uranium spot prices have held constant near \$90 per pound for almost a month after their sudden plunge from \$136 highs.

WOOD PRICES FALL AND OUTPUT FALLS SEVERELY

Framing lumber composite prices fell \$4 to \$278 per 000 board feet, OSB fell \$10 to \$165 per 000 sq ft (7/16 north central basis) and plywood fell \$12 to \$346.

Lumber output fell very severely to 231 from 314 mm board feet in the prior week, orders fell to 229 from 299 mm board feet and shipments fell to 232 from 311 mm board feet. The backlog fell to 421 mm board feet for the eighth straight week, representing under 13 days out output at current reduced rates.

A combination of the seasonal slowdown in activity as winter approaches and the credit crunch's potential to further depress demand appears to be creating a sort of downside climax.

On the other hand, high energy and the strong Canadian dollar adversely impact the costs, which rise even more owing to diseconomies of scale as output contracts. More output cuts are plausible.

CHANGE IN THIS RESEARCH OPERATION

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Our investment rating system for securities recommendations is Overweight, Neutral Weight or Underweight. Overweight or Underweight recommendations are estimated to vary from the relative performance of the S&P 500 by more than 10% annually, and the intended time horizon is up to 24 months. Our securities research is intended for institutional investors that might buy up to 10% of a given company, and as such focuses more towards longer-term dynamics impacting the net present value of future cash flows rather than “day trading” sorts of near-term issues.

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Our policy is full disclosure of any advisory relationship or conflict going back three years. None currently exist.

Numerous prior investment banking relationships existed prior to three years history to the pre-1997 time frame under the employment of Donaldson, Lufkin and Jenrette or Oppenheimer & Co., Inc. Some of these we can recollect included 14 different gold mine valuations or sales for Barrick Gold, LAC Minerals (later acquired by Barrick), Addington Resources (gold assets in Montana acquired by Canyon Resources), Westworld Industries (Bolivian assets acquired by Battle Mountain Gold later acquired by Newmont Mining), Coeur d’Alene Mines, Crown Resources (acquired by Kinross Gold), Freeport-McMoRan Gold (acquired by Minorco later AngloGold later Queenstake Resources), FMC Gold (later renamed Meridian Gold) and others. Sole managed initial public offerings included Reliance Steel & Aluminum and Huntco. Lead-managed initial public offerings included American Steel & Wire (later acquired by Birmingham Steel) and lead-managed underwritings included Quanex. Co-managed underwritings included the IPO of Century Aluminum and offerings for AK Steel, Kaiser Aluminum, Agnico-Eagle Mines, Cameco and others. Asset sales or purchase advisories, fairness opinion or trusteeships were done for Thypin Steel (sold to Ryerson Tull), Cyclops Corp. (sold to Armco later sold to AK Steel), Allegheny Corp., Bethlehem Steel, the U.S. Dept. of Justice pursuant to the June 1984 merger of LTV and Republic Steel to sell the Gadsden, AL integrated flat-rolled mill, Cobre Copper, and others. Typically more than five investment banking assignments were evaluated, partly executed or “due diligenced” for any completed transaction. Some examples we can recall for which a prospectus was either drafted or partly drafted indicating much work included stock underwritings not

completed for Wheeling-Pittsburgh Steel, Steel Dynamics, Atlas Corp., Webco, Sharon Steel, IPSCO, Co-Steel Inc., and others.

ANALYST UNIVERSE COVERAGE:

John C. Tumazos, CFA: Rio Tinto, Louisiana-Pacific, Nucor Corp., Newmont Mining, U.S. Steel, International Paper, BHP Billiton, MeadWestvaco Corp., Antofagasta PLC, Allegheny Technologies, Alcoa Inc., Inco Limited, Bowater, Inc., Temple-Inland, Barrick Gold, Abitibi-Consolidated, Weyerhaeuser Co., Alcan Inc., Smurfit-Stone Container, Plum Creek Timber, Worthington Industries, Goldcorp Inc., AngloGold Ashanti, Freeport McMoRan Copper & Gold, Novelis Inc., FNX Mining.

Dynatec is a company not continued in the research coverage of JTVIR, LLC that was previously included in the prior June 6, 2007 Prudential Equities Group universe owing to a pending takeover by Sherritt International.

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There is no intention to “balance” the number of Overweight or Underweight ratings, as instances of broad over- or under-performance among basic industrials may occur. JTVIR makes each investment judgment in a “bottoms up” manner based on the assets of each individual company.

Price Target – Methods/Risks

The methods used to determine the price target generally are based on future earning estimates, product performance expectations, cash flow methodology, historical and/or relative valuation multiples. The risks associated with achieving the price target generally include customer spending, industry competition and overall market conditions.

Additional risk factors as they pertain to the analyst's specific investment thesis can be found within the report.

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