

**STATEMENT OF MONA ZINMAN
PRESIDENT, ITOCHU BUILDING PRODUCTS, CO., INC.
MARCH 20, 2012**

Good afternoon. My name is Mona Zinman. I am President of Itochu Building Products, co-CEO of Prime Source Building Products, Co-CEO of Master Halco and most recently Co-CEO of Progressive Steel and Wire, LLC.

We are looking at an American industry that is in better shape today than it has been for many years. This industry has withstood the Great Recession and come out the other side.

Look what we have. We have growth... We have job creation. We have new investment. My company, PrimeSource Building Products has joined together with Dubai Wire to create Progressive Steel & Wire – a new domestic nail manufacturer producing nails in Dallas, Texas with plans to expand to Pennsylvania & California during 2012. And we have Petitioner themselves being bought by Deacero – a Mexican company with more than \$2 billion in sales and 7,000 employees –announcing plans to increase production capacity by 40 percent, with at least a 20 to 30 percent increase in employment.

Injury? Really?

We look forward to competing with our friends at Deacero – for years we have bought wire rod, rebar & galvanized wire from their plant in Mexico. And now we both will be manufacturing nails in the United States. This is good news for our industry and for our American workers. Before I discuss the reasons why I believe that you should reach a negative determination in this case, let me give you some background on Itochu, Prime Source, and Progressive Steel along with my own role in the nail industry.

Itochu imports nails from around the world which it sells to its sister company, Prime Source, the largest distributor of nails in the United States. Prime Source maintains 36 distribution centers in 28 States. We continue to grow and in the past year we have added two new locations in Portland, Oregon and Fresno, California. We currently employ over 1100 American workers – an increase of approximately 50 since I testified a year ago.

Prime Source sells a wide range of building, home improvement and related products throughout the United States - not limited to nails. We also sell screws, power tools, fencing, insulation, weather proofing, etc. We sell under our proprietary Grip Rite brand, our Protwist brand, as well as distributing other well known brands, such as Owens Corning, Elk/GAF, USP, & Armstrong. Our diverse customer base includes lumberyards, STAFDA dealers, drywall supply yards, concrete and construction supply yards, roofing wholesalers, and home improvement centers. We ship to more than 20,000 customers on our own fleet of more than 300 trucks making daily deliveries with multiple stops.

Our largest customers for nails and many of our other products are Home Depot and Lowes, the two largest big box retailers in the United States. Our nationwide distribution system allows us to meet their requirements – to provide just-in-time delivery of literally thousands of different

SKUs to their combined 3700 stores. We even have 120 full time merchandiser employees whose sole responsibilities are visiting every Home Depot store to make sure our displays are fully stocked and properly arranged at all time.

Our primary sources of supply for nails are mills in Taiwan, the UAE and China. We also source nails from Malaysia, Korea, Mexico, Bulgaria, Vietnam and the United States. We stock literally thousands of SKUs of all types and sizes of nails. When you go into Home Depot or Lowes you will see our Grip Rite brand of hand-drive nails and collated nails prominently displayed, in retail boxes as small as one and five pounds, along with larger buckets, 50 pound cartons and 1000 piece plastic tubs. We sell more of our Grip Rite nails to Home Depot and Lowes than any other fastener brand.

Some background about me. I have been involved in the U.S. nail business since I was 15 years old and I have no idea where the past 45 years have gone. If you had told me my entire life was going to be spent working in nails, I would have thought you mad – but as they say, Man Plans and God laughs. (But that's a story for another day). I began working when Japan was the main country supplying nails to the United States. I have seen nail production move from Japan to South Korea and Taiwan and then to China and to the UAE. Today nails are manufactured around the world, with mills in Malaysia, Viet Nam and Mexico also shipping nails to the United States.

At the same time as I have seen production shift from one country to another, I have seen a fundamental change in the way in which nails are sold in the United States in the retail channels which is the majority of our business. When I started in this business, there was no Home Depot. Nail manufacturers did not need to have sophisticated nationwide distribution networks. There was no such thing as marketing – nails were received in large wooden kegs, dumped into an open bin, the customer scooped up the quantity they wanted to buy. It was put in a brown bag, weighed and sold by the pound. The vast majority of nails were hand driven - product differentiation was just beginning - and nails were sold by regional manufacturers to local and regional customers throughout the United States.

Today it's a different world. Whether we like it or not, times have changed. To compete in the new market, vendors must also change with the times. Diversification, packaging, private branding are all required. Pack the nails in a plastic box... in a bucket... color code the lids... reduce the pack unit so inventory turns increase....make weekly deliveries so the customers can maintain JIT inventory levels. Our typical order is under \$1,000.00 and has 20 different items – 2 boxes of this, 3 boxes of that, etc. . . .

I sincerely believe that if MidContinent and other American nail manufacturers had devoted the same time and energy to improving customer relations, investing in R&D and quality control, and developing a strong distribution system as they had in filing petitions with the Government to curtail competition, they would have had a much larger presence in the market than they have today. Just as every single petition which American mills filed in the past – and there have been many - the Petition which the industry, led by Midcontinent, filed in 2007 did not result in a significant increase in domestic producers' share of the U.S. market. It did not result in Prime Source deciding to source nails from MidCon or other mills in the U.S. And if an ADD Order is

placed on nails from the UAE, I will repeat today what I stated to the Commission staff last April. I quote:

I can tell you categorically with 100 percent certainty that it will not result in even one penny of additional business from us to Mid-Continent or any other U.S. nail producer.

Our business is not in play. We are committed to our Joint Venture –Progressive Steel and Wire – a brand new Nail Factory formed by the partnership of PrimeSource & Dubai Wire with our first location in Dallas, Texas which has already started producing nails. Let me explain the background & timeline for this project. In August 2010, I became Co-CEO of another Itochu owned company – Master Halco, Inc. Master Halco is a distributor and USA manufacturer of Chain Link Fence. We have chain link factories in Dallas, Texas, Scranton Pa, Fontana, California & Olney, Illinois.

Chain link and Nails have a lot in common. Chain link is made from Wire Rod – exactly the same as Nails. The wire rod is then drawn down using wire drawing machines – exactly the same as Nails. The wire is then galvanized – the same as many nails.

In 2010 Master Halco was struggling... sales were way off from the peak years... They had under-utilized equipment... they had lots of extra space in their factories. But they had the infrastructure in place.. And the idea was born. A perfect marriage – Dubai Wire has the nail equipment and the technical know how to produce top quality nails. PrimeSource has the sales force, the distribution network and the customers. Master Halco has the space & and existing manufacturing facilities – we can leverage the buying of rod, zinc, etc. and Master Halco becomes more competitive and the synergies of combining their manufacturing with ours becomes a win-win. The reduction and shift of production from Dubai to PSW was planned without any single consideration of dumping duty and before any filing was made public.

Please don't misunderstand – this is still a nail plant starting from ground zero. We have invested millions of dollars to bring the plant up. You don't just plug in a nail machine like you would a hair dryer. You need extensive power & electrical work. You need plumbing. The existing factory had to be expanded & retrofitted to accommodate nail machines & coating lines. Any suggestions that a negative determination would result in these machines going back to Dubai – like this is some disposable & movable tinker toy - is ridiculous.

To be crystal clear, the filing of this petition was done way after our plans were in motion and was never a consideration. It took more than 18 months of planning & preparation to get to where we are today – producing nails in Dallas Texas.

But Mr. Libla knows that – because this plant was industry news long ago and he would know better than anyone that a factory just doesn't "appear". And in fact when he heard that these plans were moving forward he personally called our VP of Manufacturing for MH and asked him to deliver a message to me. He said – tell Mona if she wants to produce nails in the United States, why doesn't she buy my company instead of opening a new one. I can only surmise that the prospect of competing against a domestic manufacturer who "gets it" and facing the prospect

of not being able to file a Government action against a USA manufacturer was so worrisome, that he got out while he could still cash out.

I need to address some of the other inaccuracies put forth by MidCon.

First, in its Prehearing Brief to the Commission, MidContinent stated, at 24, and I'll quote

“During the Staff Conference, the co-President of Itochu/ Prime Source, Ms. Zinman, admitted that her company purchases nails based solely on price”

end quote

This statement is not true. I did not say that last year and this allegation is as inaccurate today as it was then. Here's what I said, which I believe is worth repeating.

The increase in tonnage from the UAE was the direct result of my decision to source nails from Dubai Wire instead of China. If Itochu had not made this move, UAE imports would not have surged in 2010 and Mid-Continent would not have the ammunition it believed it needed to once again petition the government's relief.

Our decision to begin purchasing nails from the UAE was not related to price. We were looking for an alternative source of supply because of the uncertainty in the market resulting from the dumping duty order on nails from China. Let me repeat that because I believe it is a very important point. Our reduction of purchases from China and increase in purchases from Dubai was not because Dubai was cheaper because they weren't.

The dumping duty order on Chinese nails means that you have no idea what your final cost will be until as much as three years later. So put that into practical reality as a buyer for a company whose purchases are crucial.

An American consumer buys a car for \$15,000. Three years later the government comes back and says, oh, you thought the price of that car was \$15,000. Sorry. We've been auditing that car company and we decided you owe us another 20 percent. So now you have to pay us another \$3000, plus interest for that car you thought you bought for \$15,000 and thought you paid for in full three years ago. It sounds crazy and potentially devastating, and in my opinion it is both, but that is what a dumping duty order does to the American importer. And so no matter what the deposit rate, 2 percent, 5 percent, 30 percent, the uncertainty and the risk forces alternatives.

And exactly what I talked about happened with the recent published results in the ongoing China case.

So we needed to find a new source of supply to replace the nails we had been sourcing from Chinese mills.

We moved to Dubai Wire for the reasons which Mr. Ved will discuss.
To quickly summarize again -

First, Dubai Wire produces more than 1400 different types and sizes of nails at its facility in the UAE.

Second, Dubai Wire is willing to fill any order we place, no matter how complicated.

Dubai Wire then will ship that complex order to all major ports as well as to any required inland destination, anywhere in the United States.

Third, Dubai Wire has been in the business of producing nails for 30 years. It has a reputation for quality and reliability. We had conducted business with Dubai Wire in the past. We knew what they could do. We had visited their facility.

Remember, Home Depot and Lowes demand just in time delivery of hundreds of different SKUs at 3700 stores located throughout the United States. Our business model is built on 100% fill rates and on time delivery. Dubai Wire is exactly the source of supply which Itochu needs to service our customers in the United States and to maintain our position as the country's number one distributor of nails.

That is why we decided to buy nails from Dubai Wire. Not price.

If the Antidumping Duty Order on Chinese nails could have helped the U.S. industry, you would have expected that once an Order was in place on Chinese nails, domestic mills would have immediately contacted Prime Source to take advantage of this restraint on trade. This did not happen. No U.S. mill came to Prime Source and offered itself as a viable alternative, despite the fact that Chinese nails no longer had a cost advantage. I am not aware of any nail mill in the United States which has the capability to become a Prime Source vendor in the same manner as Dubai Wire.

MidContinent may claim that it has the capacity and ability to make any and all types of nails. Just because I have two working legs doesn't mean I can run a 4 minute mile. If MidCon is able to make all types of nails, you would expect that their website would look like Dubai Wire's catalog, specifying over 1000 SKUs. Why keep it a secret? Why not try to promote and sell everything you can make? But it doesn't because MidContinent has never produced the vast majority of nails sold by Dubai Wire in commercial quantities. Nor are they interested in doing so. We cannot expect MidCon to begin production tomorrow when it had the chance to fill a void in 2008, but didn't then. And even if Midcon had the capacity, it does not have the distribution system. It took us more than 40 years to build our system - 36 warehouses in 28 states. This is not a simple task. It takes time, commitment and a wide range of products - not just nails - to make it work.

An additional important point for the Commission to consider is the fact that the vast majority of our customers do not specify the country of origin of nails which we deliver to fill an order. They buy from us because of our ability to meet their needs. Our customers are not concerned

with the origin country as long as they are receiving Prime Source quality products in a timely manner. We charge the identical price for identical products, regardless of whether our Grip Rite nails are made in the UAE, China, Taiwan, the United States, or any combination of countries. In this mix, Dubai Wire is not the lowest cost supplier. Its prices are competitive, but they are no lower than the prices we pay for nails from other mills located throughout the world. In other words, the fact that a sale has been lost to Prime Source does not mean that a sale has been lost to the UAE. A Grip Rite nail just as readily could have been made in Taiwan, for which there have been no allegations of unfair pricing. Or it could be imported from China, whose nails are being imported under an Antidumping Duty Order, and, therefore, by definition, are fairly priced. This being the case, the increase in Prime Source's market share cannot be attributable to allegedly unfairly priced UAE nails.

I'd also like to briefly discuss the different markets for nails in the United States, who we are competing against and the reasons for our success.

First, collated nails sold to mass merchandisers, the largest of which are Home Depot and Lowes. These are our major customers. They confine their nail purchases to reliable vendors who can support them with store direct delivery. For collated nails, this means among others, Stanley Bostitch, and Paslode, which is the brand sold by ITW. Although we compete vigorously with these brands there is co-existence in the market as our GripRite brand is sold side by side with these other brands in these & many other retail chains throughout the country. Our imports of collated nails from the UAE and elsewhere have not adversely affected production of nails by these companies in the USA. I know that Stanley Bostitch and Paslode currently import many of their collated nails offshore at the same time these companies continue to produce nails in the U.S., presumably to complement their imported products.

Second, the small package nail business: the one pound and five pound retail boxes that you see prominently displayed in Home Depot and Lowes. In the past, virtually all small packing of nails in the United States was done by the distributor or packing facility. Manufacturers would not do small packing. They viewed that as outside their business. So Prime Source would buy bulk nails in large cartons from China or Taiwan or South Korea or the USA and we would repack these nails in our own warehouse or contract packages. However, unlike the USA mills, Chinese factories were very interested in small packing and saw that as an avenue to increase their business. Starting in 2004 we moved the small package business to China and by the end of 2006, almost all our package nails were coming from the Far East. In 2009 – 2010 we moved some of this business to the UAE. In this segment, the UAE's growth in market share has been 100% at the expense of China or Taiwan, not the United States

Third, sales to STADFA - the Specialty Tool and Fasteners Distributors Association. Before we became Dubai Wire's customer, Dubai Wire had sold nails directly to STAFDA dealers – a group of customers who rely on quality products. Price is NOT the determining factor in our sales to this market. It is quality.... it is the range of products.... it is back up local inventory.... it is customer service - having a supplier who can combine delivery of their nails along with many other products. It is our customer appreciation trip & buying show called Premier Club that is attended each year by our top 1,000 customers. It is earned by increasing purchases and/or maintaining certain buying levels. We thank them by taking them and their spouse an all expense

paid trip to a beautiful venue such as the Atlantis in the Bahamas, or Las Vegas, or South Beach where they are wined & dined on us, and get to see entertainment such as Jay Leno, or Sheryl Crow or Chicago or get to meet ex President Clinton and listen to him speak in a private event just for PrimeSource customers. Certain lifetime experiences are priceless and the relationships we have developed with our customers in this category far outweigh any obligation for us to be “cheap” to get their business and support. If it was all about price, Dubai Wire would have continued to sell directly to these customers in the USA.

Finally, the pallet market. This market is dominated by MidContinent. If you look at their website you can see that MidCotinent was founded in 1987 by Libla Industries, Inc., which MidCon describes as one of the largest pallet manufacturers in the Midwest. Midcon then states that Libla created Midcon to meet its need for machine quality pallet nails made necessary when pallet manufacturing progressed from manual to automated machine assembly. MidContinent boasts that it is now the largest supplier of fasteners to the wooden pallet and crating industry with customers throughout the United States. I believe MidCon is correct. We sell a relatively small quantity of nails in this market, but MidContinent remains the major force. And if you listen, as I did, to the MidContinent – Deacero press conference in February, it appears that this business has been very successful in 2011 and should remain successful in the future.

We applaud MidContinent’s success. We applaud the fact that it has expanded its business in the United States by purchasing other companies and that its employees were working overtime in 2011. And we applaud the success of any other American manufacturer who has found a profitable market niche.

We also believe that we will be as successful an American manufacturer as MidContinent with our nails made in Dallas, Texas. Our optimism reflects our confidence in Dubai Wire’s manufacturing know-how and the strong national distribution system and reputation for reliability and quality which Prime Source has developed over the past 20 years.

Now here is the part that sounds counter-intuitive (and I’m almost done). For us to succeed as an American manufacturer, we will need to continue to import nails from the UAE. Our business plan calls for a continuous reduction in quantities as our USA factories take over a majority of the product line. However, we will still need to supplement our domestic production with imports, hopefully without having to pay an unnecessary tax to the US government which will only serve to hurt the American consumer through higher prices. Assessing antidumping duty on Dubai Wire exports will not help any other American mill – including us. It will not lead us to purchase increased quantities of nails from other American producers. It will only hurt Progressive Steel and Wire and its partners.

Whether we like it or not, national customers require strong brand name national distributors to service their needs. And national distributors, like Prime Source, need to obtain nails from mills capable of producing significant quantities of multiple SKUs, for shipment to warehouses located at destinations throughout the United States. And once a company has the ability to sell nationally to Home Depot and Lowes, it is able to use that same distribution system to sell to STADFA and other customers. These are the reasons for our success; not low prices.

To summarize, the American industry has survived the Great Recession. It has been strengthened by Deacero's purchase of Midcontinent and our decision to produce nails in the United States. The industry has not been materially injured by UAE imports and with Dubai Wire's moving its production machinery to the United States, threat is not an issue.

I thank you for listening to my testimony. I am available for questions.

8473394_1