COMMERCIAL METALS CO
Form DEF 14A
December 18, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

COMMERCIAL METALS COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
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1) Title of each class of securities to which transaction applies:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held January 24, 2008

The Annual Meeting of Stockholders of Commercial Metals Company, a Delaware corporation, will be held in the Las Colinas Ballroom of the Four Seasons conference center, 4150 North MacArthur Boulevard, Irving, Texas, on January 24, 2008, at 10:00 a.m., Central Standard Time. If you are planning to attend the meeting in person, please check the appropriate space on the enclosed proxy card. A map is included on the back cover of the attached Proxy Statement. The meeting will be held for the following purposes:

(1) To elect four persons to serve as directors until the 2011 annual meeting of stockholders and until their successors are elected;

(2) To ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the fiscal year ending August 31, 2008;

(3) If presented at the annual meeting, to vote on a stockholder proposal requesting the addition of sexual orientation to the Company s written non-discrimination policy; and

(4) To transact such other business as may properly come before the meeting or any adjournments of the meeting.

Only stockholders of record on November 26, 2007, are entitled to notice of and to vote at the meeting or any adjournments of the meeting.

You are cordially invited to attend the annual meeting. Whether or not you plan to attend the meeting in person, you are urged to fill out, sign and mail promptly the enclosed proxy card in the accompanying envelope on which no postage is required if mailed in the United States. Alternatively, you may vote your shares via telephone or the internet as described on the enclosed proxy card. Proxies forwarded by or for brokers or fiduciaries should be returned as requested by them. The prompt return of proxies will save the expense involved in further communication.

By Order of the Board of Directors,

David M. Sudbury
Senior Vice President, Secretary
and General Counsel

Irving, Texas
December 18, 2007

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COMMERCIAL METALS COMPANY
6565 North MacArthur Boulevard
Irving, Texas 75039
Telephone (214) 689-4300

PROXY STATEMENT

FOR

ANNUAL MEETING OF STOCKHOLDERS

To Be Held January 24, 2008

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Commercial Metals Company for use at the annual meeting of our stockholders to be held on January 24, 2008, and at any and all adjournments of the meeting. The approximate date on which this proxy statement and accompanying proxy card are first being sent or given to stockholders is December 18, 2007.

Shares represented by each proxy, if properly executed and returned to us prior to the meeting, will be voted as directed, but if not otherwise specified, will be voted for the election of four directors, to ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm, and, if presented, against the stockholder proposal requesting the addition of sexual orientation to the Company s written non-discrimination policy, all as recommended by our Board of Directors. A stockholder executing the proxy may revoke it at any time before it is voted by giving written notice to the Secretary of Commercial Metals Company, by subsequently executing and delivering a new proxy or by voting in person at the meeting (although attending the meeting without executing a ballot or executing a subsequent proxy will not constitute revocation of a proxy).

Stockholders of record can simplify their voting and reduce our cost by voting their shares via telephone or the Internet. The telephone and Internet voting procedures are designed to authenticate stockholders identities, allow stockholders to vote their shares and to confirm that their instructions have been properly recorded. If a stockholder s shares are held in the name of a bank or broker, the availability of telephone and Internet voting will depend upon the voting processes of the bank or broker. Accordingly, stockholders should follow the voting instructions on the form they receive from their bank or broker.

Stockholders who elect to vote via the Internet may incur telecommunications and Internet access charges and other costs for which they are solely responsible. The Internet and telephone voting facilities for stockholders of record will close at 11:59 p.m., Eastern Standard Time, on the evening before the annual meeting. Instructions for voting via telephone or the Internet are contained in the enclosed proxy card.

OUTSTANDING VOTING SECURITIES

On November 26, 2007, the record date for determining stockholders entitled to vote at the annual meeting, we had outstanding 116,921,377 shares of our common stock, par value $.01 per share, not including 12,139,287 treasury shares. Each share of our common stock is entitled to one vote for each director to be elected and upon all other matters to be brought to a vote. We had no shares of preferred stock outstanding at November 26, 2007.

The presence of a majority of our outstanding common stock represented in person or by proxy at the meeting will constitute a quorum. Shares represented by proxies that are marked abstain will be counted as shares present for purposes of determining the presence of a quorum. Proxies relating to street name shares that are voted by brokers on some matters will be treated as shares present for purposes of determining the presence of a quorum, but will not be treated as shares entitled to vote at the annual meeting on those matters as to which authority to vote is withheld by the broker. Such shares as to which authority to vote is withheld are called broker non-votes.

The four nominees receiving the highest vote totals will be elected as directors. Accordingly, broker non-votes will not affect the outcome of the election of directors.

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All other matters to be voted on will be decided by the affirmative vote of a majority of the shares present or represented at the meeting and entitled to vote. On any such matter, an abstention will have the same effect as a negative vote. A broker non-vote on such matters will not be counted as an affirmative vote or a negative vote because shares held by brokers will not be considered entitled to vote on matters as to which the brokers withhold authority.

Management has designated the proxies named in the accompanying form of proxy.

We will appoint one or more inspectors of election to act at the annual meeting and to make a written report on the voting. Prior to the annual meeting, the inspectors will sign an oath to perform their duties in an impartial manner and to the best of their abilities. The inspectors will ascertain the number of shares outstanding and the voting power of each of the shares, determine the shares represented at the annual meeting and the validity of proxies and ballots, count all votes and ballots and perform certain other duties as required by law.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

On the basis of filings with the Securities and Exchange Commission and other information, we believe that as of the record date, the following persons, including groups of persons, beneficially owned more than 5% of our outstanding common stock:

Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class
Goldman Sachs Asset Management, L.P. 32 Old Slip New York, New York, 10005	7,731,052(1)	6.6%
FMR Corp. 82 Devonshire Street Boston, Massachusetts, 02109	7,705,888(2)	6.6%
TPG-Axon Capital Management, LP 888 Seventh Avenue 38th Floor New York, New York 10019	7,250,100(3)	6.2%

(1) Based on the Schedule 13G report filed with the Securities and Exchange Commission on February 14, 2007. Goldman Sachs Asset Management, L.P. reported sole voting power over 7,557,276 shares and sole dispositive power over 7,731,052 shares.

(2) Based on the Schedule 13G report filed with the Securities and Exchange Commission on February 14, 2007. FMR Corp. reported sole voting power over 3,018,788 shares and sole dispositive power over 7,705,888 shares.

(3) Based on the Schedule 13G report filed with the Securities and Exchange Commission on November 27, 2007. TPG-Axon Capital Management, LP reported shared voting and dispositive power over 7,250,100 shares.

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The following table sets forth information known to us about the beneficial ownership of our common stock as of November 26, 2007, by each director and nominee for director, the Chief Executive Officer, the other executive officers included in the Summary Compensation Table, and all current directors, nominees for director and executive officers as a group. Unless stated otherwise in the notes to the table, each person named below has sole authority to vote and dispose of the shares listed.

Name	Owned Shares of Common Stock	Option Shares of Common Stock(1)	Total Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned
Adams, Harold L	18,000	6,000	24,000	*
Feldman, Moses(2)	698,992	0	698,992	*
Guido, Robert L	6,112	0	6,112	*
Larson, William B	200,875	243,192	444,067	*
Loewenberg, Ralph E.(3)	42,000	13,410	55,410	*
Massaro, Anthony A	20,000	34,406	54,406	*
McClean, Murray R	125,772	93,832	219,604	*
Neary, Robert D	32,000	0	32,000	*
Owen, Dorothy G	967,521	111,388	1,078,909	*
Rabin, Stanley A	1,859,749	130,533	1,990,282	1.7%
Rinn, Russell B	95,312	214,533	309,845	*
Smith, J. David	14,000	13,670	27,670	*
Sudbury, David M	516,549	83,032	599,581	*
Womack, Robert R	46,682	18,000	64,683	*
Zoellner, Hanns	75,202	77,899	153,101	*
All current directors and executive officers as a group (15 persons)	4,718,767	1,039,895	5,758,662	4.9%

* Less than one percent

(1) Represents shares subject to options exercisable within 60 days of November 26, 2007.

(2) Moses Feldman has sole voting and dispositive power over 178,992 shares and shared voting and dispositive power over 520,000 shares. Includes 250,000 shares owned by the Marital Trust under the Trust Indenture created by the Will of Jacob Feldman of which Moses Feldman is one of four trustees and 270,000 shares owned of record by Moses Feldman Family Foundation of which Moses Feldman is a director. Moses Feldman disclaims beneficial ownership as to all shares held by Moses Feldman Family Foundation and the Marital Trust.

(3) Mr. Loewenberg is one of four trustees of the Marital Trust under the Trust Indenture created by the Will of Jacob Feldman which owns 250,000 shares. Mr. Loewenberg disclaims any beneficial interest as to such shares.

PROPOSAL I

ELECTION OF DIRECTORS

Our restated certificate of incorporation divides the Board of Directors into three classes. The term of office of the three Class I directors previously elected by stockholders expires at this annual meeting of stockholders. Robert L. Guido was elected to a one-year term as a Class I director by the Board on April 17, 2007. Prior to his election we had ten directors. The number of directors was increased to eleven by action of the Board at the time of his election. There are four Class I nominees standing for election. The term of the three Class II directors ends at the 2009 annual meeting of stockholders, and the term of the four Class III directors ends at the 2010 annual meeting of stockholders. Proxies cannot be voted for the election of more than four persons to the Board of Directors at the meeting.

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Each nominee has consented to being named in this proxy statement and to serve if elected. If any nominee becomes unavailable for any reason, the shares represented by the proxies will be voted for the person, if any, as may be designated by our Board of Directors. However, management has no reason to believe that any nominee will be unavailable. All of the nominee Directors, as well as the continuing Directors, plan to attend this year s annual meeting of stockholders. At the 2007 annual meeting, all of the current Directors of the Company were in attendance.

The following table sets forth information about the directors. All directors have been employed in substantially the same positions set forth in the table for at least the past five years except for Messrs. Massaro, Feldman, McClean and Rabin. Mr. Massaro retired as President and Chief Executive Officer of Lincoln Electric Holdings, Inc. in June 2004 and as Chairman of the Board in October 2004. Mr. Feldman was named Chairman of AeroMed, Inc. in July 2005, having previously served as its President and CEO. In July, 2006, Mr. McClean was elected a director and, effective September 1, 2006, Mr. McClean was appointed Chief Executive Officer, succeeding Mr. Rabin who had held the position since 1979. Mr. McClean had previously been employed as our President and Chief Operating Officer from September 20, 2004 to August 31, 2006, and as President of the Marketing and Distribution Segment from September 1, 1999 to September 20, 2004. Mr. McClean continues to serve in his capacity as President in addition to his positions as Chief Executive Officer and Director.

NOMINEES

Name, Principal Occupation and Business	**Age**	**Served as Director Since**
Class I Term to Expire in 2011		
Robert L. Guido Retired Former Vice Chair and Chief Executive Officer of Ernst & Young s Assurance and Advisory Practice	61	2007
Dorothy G. Owen Retired Former Chairman of the Board, Owen Steel Company, Inc.; Management of Investments	72	1995
J. David Smith Chairman, President and Chief Executive Officer, Euramax International, Inc., an international producer of aluminum, steel, vinyl, copper and fiberglass products for equipment manufacturers, distributors, contractors and home centers	58	2004
Robert R. Womack Retired Former Chairman and Chief Executive Officer, Zurn Industries, Inc. and Chief Executive of U.S. Industries Bath and Plumbing Products Group, each a manufacturer of plumbing products and accessories	70	1999

DIRECTORS CONTINUING IN OFFICE

Name, Principal		**Served as Director**

Occupation and Business	Age	Since
Class II Term to Expire in 2009		
Harold L. Adams Chairman Emeritus, RTKL Associates Inc., a global design firm	68	2004
Anthony A. Massaro Retired Former Chairman, President and Chief Executive Officer of Lincoln Electric Holdings, Inc., a manufacturer of welding and cutting equipment	63	1999
Robert D. Neary Retired Former Co-Chairman of Ernst & Young	74	2001

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Name, Principal Occupation and Business	Age	Served as Director Since
Class III Term to Expire in 2010		
Moses Feldman President, AeroMed, Inc., a manufacturer of medical device components	67	1976
Ralph E. Loewenberg President, R. E. Loewenberg Capital Management Corporation	68	1971
Murray R. McClean President and Chief Executive Officer, Commercial Metals Company	59	2006
Stanley A. Rabin Chairman of the Board of Directors, Commercial Metals Company	69	1979

Mr. Adams is a director of Legg Mason, Inc. and Lincoln Electric Holdings, Inc. Mr. Massaro is a director of PNC Financial Services Group, Inc. Mr. Neary is Chairman of the Board of Trustees of Allegiant Funds and Allegiant Advantage Fund. Mr. Smith is a director of Euramax International, Inc. Mr. Guido is a director of Bally Technologies, Inc.

There is no family relationship between any of the directors, executive officers, or any nominee for director.

The Board of Directors recommends a vote FOR the election of the nominees for Director named above.

Vote Required

Directors are elected by plurality vote, and cumulative voting is not permitted.

ADDITIONAL INFORMATION RELATING TO CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

Corporate Governance. Our Board of Directors has determined, after considering all the relevant facts and circumstances, that Messrs. Adams, Feldman, Guido, Loewenberg, Massaro, Neary, Smith, and Womack, and Ms. Owen are independent, as independence is defined by the listing standards of the New York Stock Exchange (NYSE), because they have no direct or indirect material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company).

The Board of Directors has established the following requirements and guidelines to assist it in determining director independence in accordance with the revised listing standards of the New York Stock Exchange:

A director will not be independent if, within the preceding five years, the director or an immediate family member:

(i) received more than $100,000 per year in direct compensation from the Company other than director and committee fees and deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), unless all independent directors unanimously determine that such compensatory relationship is not material;

(ii) was affiliated with or employed in a professional capacity by a present or former internal or external auditor of the Company;

(iii) was employed as an executive officer of another company where any Company employee serves on that company s compensation committee; or

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(iv) is an executive officer of another company (a) that accounts for at least 2% or $1 million, whichever is greater, of the Company s consolidated gross revenue or (b) for which the Company accounts for at least 2% or $1 million, whichever is greater, of such other company s consolidated gross revenues.

The following categorical standards for commercial or charitable relationships will not be considered to be material relationships that would impair a director s independence: (i) if the director or immediate family member is an executive officer of a company which is indebted to the Company, or to which the Company is indebted, and the total amount of either entity s indebtedness to the other is less than 1% percent of the total consolidated assets of the other company; and (ii) if a director or immediate family member serves as an officer, director or trustee of a charitable organization, and the Company s discretionary charitable contributions to the organization are less than ten percent of that organization s total annual charitable receipts. A further discussion of the requirements and guidelines we use to assist in determining director independence is available at our website, www.cmc.com.

We have three standing board committees, Audit, Compensation and Nominating and Corporate Governance. Membership of each of these Committees is comprised entirely of independent directors. The Board of Directors has adopted charters for each of these Committees describing the authority and responsibilities delegated to each Committee by the Board. Our Board of Directors has also adopted corporate governance guidelines. The Company has also adopted a policy of business conduct and ethics, which applies to all directors, officers and employees of the Company. All Committee charters, corporate governance guidelines, financial code of ethics, policy of business conduct and ethics and other information is available at our website, www.cmc.com and such information is available in print to any shareholder who requests it.

The Company s Corporate Governance Guidelines permit, when considered appropriate, the designation for an annual term and by the majority vote of independent directors, a Lead Director. The responsibilities of the Lead Director include convening and presiding over executive sessions attended only by independent or independent and non-employee Directors, communicating to the Chief Executive Officer the substance of discussions held during those sessions to the extent requested by the participants, serving as a liaison between the Chairman and the Board s independent Directors on sensitive issues, consulting with the Chairman of the Board on meeting schedules and agendas including the format and adequacy of information the Directors receive and the effectiveness of the Board meeting process and presiding at meetings of the Board in the event of the Chairman s unavailability. The Lead Director is also available to receive direct communications from shareholders through Board approved procedures and periodically, as the Board may decide, be asked to speak for the Company or perform other responsibilities. In January, 2007, Anthony A. Massaro was appointed as the Lead Director for a term to expire at the date of the annual meeting of stockholders in 2008.

Non-management and independent Directors regularly schedule executive sessions in which they meet without the presence of employee Directors or management. The presiding Director at such executive sessions is the Lead Director, currently Mr. Massaro. Interested parties may communicate with Mr. Massaro as Lead Director or any of the non-management and independent directors by submitting a letter addressed to their individual attention or to the attention of Non-management Directors c/o General Counsel at P.O. Box 1046, Dallas, Texas 75221.

Meetings of the Board of Directors. During the fiscal year ended August 31, 2007, the entire Board of Directors met eleven times, of which seven were regularly scheduled meetings and four were special meetings. All directors attended at least seventy-five percent or more of the meetings of the Board and of the Committees on which they served.

Audit Committee. The Board of Directors has a standing Audit Committee which performs the activities more fully described in the Audit Committee Report on pages 46 and 47. The members of the Audit Committee during fiscal year 2007 were Messrs. Adams, Massaro, Neary, Smith, Womack and, following his election as a director in April, 2007, Mr. Guido. Mr. Neary is Chairman of the Committee. During the fiscal year ended August 31, 2007, the Audit Committee met ten times.

Compensation Committee. The Board of Directors has a standing Compensation Committee that is responsible for the matters described in the Committee s charter including annually reviewing and approving corporate goals and objectives relevant to the CEO s compensation, evaluating the CEO s performance in light of those goals and objectives and setting the CEO s compensation based on this evaluation as well as assisting the Board in the discharge of its responsibilities relating to the establishment, administration and monitoring of fair and competitive compensation and benefits programs for the Company s executive officers and other executives. Messrs. Feldman, Loewenberg, Neary, Massaro, Womack and Ms. Owen served as members of the Committee during fiscal year 2007. Mr. Womack is Chairman of the Committee. The Compensation Committee met nine times during the fiscal year ended August 31, 2007, to establish the CEO s salary and bonus, to make recommendations to the Board of Directors as to salary and bonus compensation for other executive officers, to review compensation policies, plans and reports related to compensation and benefit matters including the designation of eligible employees and establishment of performance periods and goals for one year and three year performance periods commencing in fiscal year 2007 and certifying the extent to which performance goals for periods ended with fiscal year 2007 were achieved, to approve the issuance of restricted stock awards and grants of stock appreciation rights, to conduct Committee self-assessment, to consider the Committee s charter and to prepare the Compensation Committee Report included in last year s proxy statement.

Nominating and Corporate Governance Committee. The Board of Directors has a standing Nominating and Corporate Governance Committee that is responsible for the matters described in the Committee s charter including efforts to identify and make recommendations as to individuals qualified to be nominated for election to the Board of Directors, reviewing management succession planning, and corporate governance matters. During 2007, the Nominating and Corporate Governance Committee consisted of Messrs. Massaro (Chairman), Adams, Feldman, Loewenberg, Neary, Smith, Womack, Ms. Owen, and following his election as a director in April, 2007, Mr. Guido. The Committee met seven times during the fiscal year ended August 31, 2007, not including one meeting designated as a non-employee Director meeting in compliance with the listing requirements of the NYSE, to consider Board structure, corporate governance matters including governance guidelines and Committee charters, Committee and Board self-assessment process, candidates for directors and executive officer succession. The Committee will consider persons recommended by stockholders for inclusion as nominees for election to our Board of Directors if the names, biographical data and qualifications of such persons are submitted in writing in a timely manner addressed to the attention of the Committee and delivered to the Secretary of Commercial Metals Company at P.O. Box 1046, Dallas, Texas 75221. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of shareholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. Dedication of sufficient time, energy and attention to insure diligent and effective performance of their duties is expected. Directors should be committed to serve on the Board for an extended period of time.

In April 2007, the Nominating and Corporate Governance Committee established a sub-committee (the IT Sub-committee) to assist the Board s oversight of a significant company-wide enterprise software implementation known as the Process Improvement Project (PIP). The IT Sub-committee is chaired by Mr. Guido with Messrs. Smith and Womack as members. During fiscal year 2007 the IT Sub-committee met 8 times to review reports from management and consultants retained by the sub-committee on PIP progress including the PIP scope, expense, staffing and schedule as well as recommendations to expedite the implementation process. All members attended at least 75% of the IT Sub-committee meetings.

Compensation of Non-employee Directors. None of our employees receive additional compensation for serving as a director. Messrs. Adams, Feldman, Guido, Loewenberg, Massaro, Neary, Smith, and Womack, and Ms. Owen were paid an annual fee of $50,000 and $1,500 for each Board meeting and Committee meeting attended. Chairmen of the Audit, Compensation and Nominating and Corporate Governance Committees and the Lead Director each received an additional fee payment of $10,000 per year. The Chairman of the IT Sub-committee was paid a $10,000 annual retainer, and each other member was paid $3,000 annual retainer at the time the Sub-committee was established. The Chairman and members are paid $1,000 per month but are not paid a meeting fee for service on this Sub-committee. We also reimburse directors for expenses in connection with their attendance at Board and Committee meetings and, as authorized under the Company s Corporate Governance Guidelines, participation in continuing education programs specifically designed for directors of public companies in order that they stay current and knowledgeable about their roles.

The 1999 Non-Employee Director Stock Plan was approved at the 2000 annual meeting of stockholders and amended by stockholders at the 2005 and 2007 annual meetings. The plan provides that each non-employee director

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shall receive on the date of each annual meeting of stockholders either, an option to acquire 14,000 shares or the choice to receive 4,000 shares of restricted stock or 4,000 restricted stock units. During fiscal year 2007, all Directors elected to receive 4,000 shares of restricted stock. Directors elected to fill vacancies between annual meetings receive a grant for a pro rata amount of options, restricted stock or restricted stock units based on their period of service before the next annual meeting. Options, restricted stock and restricted stock units vest in two equal annual installments beginning one year from the date of the award. In addition, each non-employee director may make an irrevocable election prior to January 1 of each year, to accept additional restricted stock units in lieu of all or part of the annual cash fees to be paid for that year. The number of shares subject to restricted stock units as a result of this election shall be the number of shares of Company Common Stock whose fair market value is equal to the dollar amount of fees subject to the election.

The exercise price for all options granted non-employee directors shall be the Fair Market Value on the day of grant. All non-employee director options terminate on the earliest of (i) the seventh anniversary of the date of grant; (ii) one year after termination of service by reason of death or disability; (iii) two years after termination of service by reason of retirement after age sixty-two; or (iv) thirty days following termination of service for any other reason. These options are non-qualified options under §422A of the Internal Revenue Code.

SECTION 16 BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires directors, executive officers and beneficial owners of more than 10% of our common stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our common stock and any of our other equity securities. Based solely upon our review of the copies of such forms received by us or written representations that no forms were required from reporting persons, we believe that all such reports were submitted on a timely basis during the year ended August 31, 2007, except for one late filing by Moses Feldman reporting a gift of shares and change in the nature of ownership of a portion of his shares from direct to indirect status and one late filing by Murray McClean reporting a 400 share purchase under the Company s employee stock purchase plan.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed the following section of this proxy statement entitled Compensation Discussion and Analysis with management. Based on this review and discussion, the Committee has recommended to the Board of Directors that this Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company s Annual Report on Form 10-K for the fiscal year ended August 31, 2007.

Robert R. Womack (Chairman)
Moses Feldman
Ralph E. Loewenberg
Anthony A. Massaro
Robert D. Neary
Dorothy G. Owen

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The Company is primarily engaged in the manufacture, recycling, marketing and distribution of steel and metal products and related materials and services through a network of locations throughout the United States and internationally. The Company employs over 14,000 employees and operates more than two hundred and fifty (250) locations throughout fourteen (14) countries. During our fiscal year ended August 31, 2007, we considered our business to be organized into five segments: domestic mills, CMCZ (our Polish steel mill CMC Zawiercie S.A. and related operations), domestic fabrication, recycling and marketing and distribution. In fiscal year 2007, our net sales year over year increased by sixteen percent (16%) and our net earnings reached $355,431,000, just short of the Company s all-time record results of fiscal year 2006. While slightly short of our record, fiscal year 2007 was a year of remarkable achievement. By almost every measure the Company s performance was outstanding and compared favorably with its business peer group.

The Company s executive team members are the stewards of our competitive resources and decision making. In order to compete effectively in the industry, it is critical that the Company attract, retain, and sustain motivated leaders who can best position the Company to deliver financial and operational results that benefit our stockholders. We believe we have a strong, well-designed compensation program to achieve this objective.

What is the Role of the Compensation Committee in Establishing the Company s Compensation Principles?

The Compensation Committee of the Board of Directors (the Committee) oversees the compensation and benefit programs of the Company s executives. The Committee determines the compensation of the senior leadership group (the Company s officers, key operating and senior staff executives) individually. The Committee is responsible for ensuring that the Company s compensation policies and practices support the successful recruitment, development, and retention of the executive talent required by the Company to achieve its business objectives. The Committee is made up entirely of independent directors, consistent with the current listing requirements of the NYSE.

The executive compensation program is targeted to attract top-caliber, achievement-oriented executives. The Company s executive compensation philosophy is based on the premise that it is in the best interests of the stockholders for the Company to establish and maintain a competitive executive compensation program. Our base salary philosophy consists of maintaining competitive base salaries which we target at approximately the 40^{th} percentile benchmarked against positions of similar responsibility disclosed within the Peer Group as defined below. Short and long-term variable compensation provides the opportunity, based on performance, to earn in excess of the Peer Group 75th percentile. By placing a significant portion of potential executive compensation in the at risk category based upon financial performance of the Company, executive performance goals are aligned with those of stockholders, and, thus, constitute a larger percentage of an executive s overall compensation opportunity.

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We will pay higher compensation when goals are exceeded and reduced compensation when goals are not met, taking into consideration individual ability to influence results.

To that end, the Committee has approved an executive compensation program that:

facilitates the attraction and retention of top-caliber talent;

aligns the interests of its executives with those of stockholders in both the short and long-term; and

offers moderate base salaries and competitive employee benefits coupled with significant annual and long-term at risk incentives dependent upon achieving superior financial performance of the Company.

Within the objectives listed above, the Committee believes that best practices call for the performance metrics by which at risk compensation is:

largely formulaic;

designed to compensate based upon both individual and Company performance;

established and communicated early in the performance period; and

designed to minimize subjective discretion.

Nevertheless, the Committee strongly believes that some portion of the Company s executive compensation program must remain discretionary. This approach provides the Committee with the flexibility to reward executives for successfully addressing challenges and opportunities not reasonably foreseeable at the beginning of a performance period, thereby encouraging executives to seek the best answer on behalf of the Company. Discretionary compensation also allows the Committee to evaluate and reward executive performance in areas such as employee development and training, leadership and succession planning which strictly objective criteria may not adequately address. Absent this flexibility, the Committee s ability to modify executive compensation as a result of events not contemplated by a static incentive design would be reduced.

How Does the Committee Operate?

The Committee reviews annually the Company s executive compensation program in total and each program feature specifically. The review includes an analysis of market compensation practices and developments, external regulatory requirements, the competitive market for executive talent, the evolving culture and demands of the business, and the Company s compensation philosophy. The Committee periodically adjusts the various compensation elements to best align the goals of its executives with those of stockholders as well as with the requirements of the Company s business and regulatory environment.

Does the Committee or the Company Use External Compensation Advisors?

Since 2005, the Committee has engaged Ernst & Young LLP (E&Y) on an ongoing basis to consult on compensation matters. All work performed by E&Y with regard to the Company s executive compensation program is tasked and overseen directly by the Committee. The Company s management works with E&Y, and occasionally other external advisors hired by management to ensure that the information, analysis, and recommendations given to the Committee provide a thorough and accurate basis for its decisions. In addition, the Company participates in and purchases various compensation surveys and studies which management uses to analyze compensation for employees other than the executives listed in the Summary Compensation Table on page 30. This information is also made available to the Committee. The Company believes that utilizing information from multiple external consulting firms and surveys ensures an objective and well-rounded view of executive compensation practices. Management has periodically called upon the services of Mercer Management Consulting (Mercer) to assist management in making recommendations to the Committee and to assist the Committee and management in benchmarking compensation for executive positions when little or no publicly available data exists for comparable positions. During fiscal year 2007 Mercer provided a study regarding the Company s retirement programs.

What is the Role of Management in Compensation Decisions?

The Company believes strongly that the best answer for aligning executive and stockholder interests is through an executive compensation program designed with input from management in an ongoing dialogue with the Committee and, as appropriate, the compensation advisors listed above regarding internal, external, cultural, business and motivational challenges and opportunities facing the Company and its executives. To that end, the executive team analyzes, with assistance from the compensation advisors, trends and recommends improvements to the compensation programs. Specifically, Mr. McClean, President and Chief Executive Officer, reviews with the Committee his recommendations (without any recommendation as to his own compensation) regarding base salary adjustment, annual bonus, long-term bonus and equity awards for his executive leadership group (approximately 25-30 executives) to ensure alignment of stockholder interests and executive goals as well as reward for performance. All final decisions regarding compensation for these employees which include the executives listed in the Summary Compensation Table on page 30 are made by the Committee.

As periodically invited by the Committee, the following have attended meetings or portions of meetings of the Committee: Stanley A. Rabin, Chairman, Mr. McClean, William B. Larson, Senior Vice President and Chief Financial Officer, David M. Sudbury, Senior Vice President, Secretary and General Counsel and James B. Alleman, Vice President of Human Resources as well as employees of the external compensation advisors listed above.

Who are the Participants in the Executive Compensation Programs?

The executive compensation program discussed herein applies to larger groups of executives than the six Named Executive Officers (as defined below) included in the Summary Compensation Table on page 30.

The various individuals and groups who participate in our executive compensation program are:

Named Executive Officers (the NEOs):

Stanley A. Rabin, Chairman of the Board

Murray R. McClean, President & Chief Executive Officer

Russell B. Rinn, Executive Vice President & President CMC Americas Division

Hanns K. Zoellner, Executive Vice President & President CMC International Division

William B. Larson, Senior Vice President & Chief Financial Officer

David M. Sudbury, Senior Vice President, Secretary & General Counsel

Senior Executives:

Approximately twenty five (25) senior executives, including the NEOs

Senior Managers:

All other business, branch, and staff unit managers approximately 200 positions excluding Senior Executives.

How is the Competitiveness of the Company s Compensation Program Established?

The Company s executive compensation program is designed so that total short-term and long-term compensation are competitive with comparable positions at comparable companies which have achieved comparable results. Annually, with regard to NEOs, the Committee selects what it considers to be the most comparable companies with emphasis on their industry focus, size, scope, and complexity of operations. Compensation at this selected group of companies (the Peer Group) is used as a benchmark against which the Company s compensation practices for NEOs and all Senior Executives are tested. The Peer Group does not vary significantly one year to the next to ensure a stable basis of comparison. However, with the consolidations currently occurring in the steel industry, it is anticipated that revisions to the list due to acquisitions within the industry will periodically be

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required. The Committee selected the following companies to comprise the Peer Group used for evaluation of compensation attributable to fiscal year 2007.

AK Steel Holding Corporation	Reliance Steel & Aluminum Co.
Allegheny Technologies Incorporated	Ryerson Inc.
Chaparral Steel Company(1)	Schnitzer Steel Industries, Inc.
Mueller Industries, Inc.	Steel Dynamics, Inc.
.Nucor Corporation	The Timken Company
Oregon Steel Mills Inc.(2)	United States Steel Corporation
Phelps Dodge Corporation(2)	Worthington Industries
Quanex Corporation	

(1) Chaparral Steel was acquired in September, 2007 and has been deleted from the Peer Group.

(2) Oregon Steel Mills Inc. and Phelps Dodge Corporation have been removed from the Peer Group as a result of their acquisition during fiscal year 2007. Gerdau Ameristeel Corporation was added to the Peer Group to be used in evaluating fiscal 2008 compensation.

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What are the Components and Objectives of Short and Long-Term Compensation?

Compensation Mix

In accordance with the Company s overall compensation philosophy and program, executives are provided with a mix of base salary, employee benefits, short-term incentives, long-term incentives, and health and welfare benefits. The following charts provide a pictorial description of the various components of fiscal year 2007 compensation for Mr. McClean as Chief Executive Officer (CEO) as well as all NEOs as a group, excluding Mr. Rabin due to his unique compensation program in light of his impending retirement. The equity portion is based on the fair value of awards on the date of grant computed in accordance with FAS 123R.

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The allocation of values across these components is also consistent with the Company s compensation philosophy to place a greater portion of the potential compensation for each Senior Executive at risk . The concept of compensation placed at risk is applied to the compensation structure for most of our employees, but it is reflected in greater proportion in the NEO compensation. The following charts provide a pictorial description of the percentages of compensation considered at risk and not at risk for the CEO and all NEOs as a group, excluding Mr. Rabin.

Similar to the Senior Executives, including the NEOs, most employees of the Company are eligible to earn a performance-based bonus that is potentially significant and material in relation to their base salary. The table on the following pages displays the overall mix of compensation and the objectives for each component:

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PROGRAM	DESCRIPTION	PARTICIPANTS	OBJECTIVES
	ANNUAL COMPENSATION:		
Base Salary	Annual Cash Compensation	All salaried employees	Retention. Recognition of individual performance.
Annual Cash Incentive Bonus: annual bonuses under the Commercial Metals Company 2006 Cash Incentive Plan* (the Cash Incentive Plan)	Bonus plan based on performance periods set by the Committee with formula-driven target awards based upon performance goals. Bonus payout may be reduced below (but not increased above) formula result at the discretion of the Committee.	Senior Executives	Focus executives on achieving return, operating profit and/or other pre-established performance goals.
Annual Discretionary Bonus	Cash bonuses awarded at the discretion of the Committee. The Committee may consider circumstances not contemplated when performance goals were established under the Cash Incentive Plan including evaluation of individual performance utilizing such criteria as the Committee considers appropriate.	Senior Executives, Senior Managers and certain exempt employees	Provides the Committee with flexibility to reward individual performance not contemplated in formulaic metrics. Focus named employees on performance. Reviewed annually for individual contribution in context of Company performance.
Performance and Productivity Bonus	Established annually by management at their discretion based on various criteria including productivity and profitability at discrete operating units during the year.	Most employees except Senior Executives and Senior Managers	Focus non-executive employees on job and Company performance and productivity.
	LONG-TERM COMPENSATION		
Equity Awards under the Commercial Metals Company 2006 Long-Term Equity Incentive Plan* (the Equity Incentive Plan)	Discretionary equity awards which may include Stock Appreciation Rights, Restricted Stock, Stock Options or other forms of equity-based incentives.	Senior Executives, Senior Managers and employees designated by the Committee	Drives long-term Company financial performance and focus on long-term success. Retention. Employee alignment with stockholders via stock ownership.

Long-Term Bonus under the Cash Incentive Plan	A cash incentive using a multi year performance period, currently based on the average growth in EBITDA over a three year period in excess of the Company s highest one year EBITDA.	Senior Executives and Senior Managers	Focus on corporate/stockholder values. Focus on increasing long-term earnings.

* **Denotes plan approved by stockholders**

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PROGRAM	DESCRIPTION	PARTICIPANTS	OBJECTIVES
	RETIREMENT PROGRAMS		
Profit Sharing and 401(k) Plan	ERISA qualified defined contribution plan that allows most U.S. employees to elect pre-tax deferrals, receive a discretionary Company match on a portion of elective deferrals and participate in discretionary Company contributions subject to IRS limits.	Most U.S. employees with greater than one year of service	Attract qualified employees. Retention. Provide vehicle for retirement.
Benefit Restoration Plan	A non-qualified plan designed to restore the benefits that would otherwise have been received by an eligible employee under the Profit Sharing and 401(k) Plan but for the applicable IRS limits.	Employees designated by the Committee	Attract qualified employees. Retention. Provide vehicle for retirement.
Discretionary Pension Plan	A pension retirement plan in those countries where neither the Profit Sharing and 401(k) Plan nor the Benefit Restoration Plan is applicable.	Senior Executives and Senior Managers in foreign location	Attract qualified employees Retention. Provide vehicle for retirement.
	OTHER EXECUTIVE BENEFITS		
Perquisites and Executive Benefits	Company provided automobiles and related insurance and maintenance. Lunch club memberships.	Senior Executives Based on business needs	Attract qualified employees. Facilitates business meetings. Retention.
Other Benefits	Medical, dental, vision, life insurance, Social Security or their foreign equivalents, and other welfare benefits.	All employees	Attract qualified employees. Retention.

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Base Salary

The Company pays an annual base salary to each of our NEOs in order to provide them with a not at risk fixed rate of cash compensation during the year. The Committee establishes a base salary for our NEOs based upon a number of factors, including the underlying scope of their responsibilities, their individual performance, their experience, internal equity, competitive market compensation and retention concerns.

The base salary target of the 40th percentile is only an approximate target, given that many factors impact whether the Company, or an individual executive, is positioned precisely at the 40th percentile of the market within the Peer Group. The Committee strives to maintain salaries at a level that will attract top talent, but with a significant portion of an executive s total compensation based on the Company s success. The Committee exercised this discipline during the annual review of executive salaries for the 2008 fiscal year in conjunction with a review of the results of fiscal year 2007, when the Committee decided not to increase the salaries of approximately half of the Company s Senior Executives, including four of the NEOs.

Upon an evaluation of a material change in an executive s responsibilities during a fiscal year, the Committee may increase or decrease an executive s compensation accordingly. For example, the base salary for Murray R. McClean was increased from $475,000 to $600,000 (26.32%) upon his promotion to President and CEO effective September 1, 2006. In August of 2007, the Committee further determined that his base pay will remain unchanged until reviewed for adjustment by the Committee in August 2008.

William B. Larson and David M. Sudbury each received a 6.06% base pay increase to $350,000 in September 2006 to maintain a competitive base salary near the 40th percentile. Their respective promotions to Senior Vice President were effective January 25, 2007, at which time they received no increase in base salary. After reviewing the compensation of these two executives in total, the Committee determined in August of 2007 that their current base pay was appropriate and will not be reviewed again for adjustment until September 1, 2008.

Hanns K. Zoellner and Russell B. Rinn received, in September 2006, base salary increases of 5.33% to $395,000 and 10.29% to $375,000, respectively, in accordance with their annual salary review based upon Peer Group review. As a result of their promotions to Executive Vice President and President of their respective business units, part of the Company s internal reorganization which was effective September 1, 2007, (the start of the 2008 fiscal year), Messrs. Zoellner and Rinn each received base salary increases to $415,000. Mr. Zoellner is the President of our International Division and a resident of Switzerland. His salary is set at the beginning of each fiscal year in U.S. Dollars; however, he is paid in Swiss Francs based on the average exchange rate twelve months prior to the date that his salary is approved by the Committee. His Swiss Francs salary remains constant until the following year when it is evaluated based on then current exchange rates in U.S. Dollars and reviewed for internal equity and external market appropriateness, re-set in U.S. Dollars and again converted to Swiss Francs at the average exchange rate for the prior twelve months.

Overall, the average base salary increase for the six NEOs was 9.01% in fiscal year 2007. Mr. Rabin s salary is not benchmarked against the Peer Group because his role, with emphasis on succession transition and pending retirement, is unique among the Peer Group. His salary recognizes the transition work and strategic assistance he provides to Mr. McClean and the Company in view of his retirement at the end of fiscal year 2008 Further, in setting his salary for fiscal year 2007, the Committee considered that Mr. Rabin would not participate in the Annual Cash Incentive Bonus (as defined below) under the Cash Incentive Plan for the fiscal year 2007 performance period or the Long-term Cash Incentive (as defined below) for the performance period beginning with fiscal year 2007 and ending in fiscal year 2009, nor will he participate in either of these incentives for fiscal year 2008. Mr. Rabin s 2008 salary remains the same as in 2007. Salaries for all NEOs are listed in the Summary Compensation Table on page 30.

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Annual Cash Incentive Bonus

At the January 2007 Annual Meeting of Stockholders, the Company s stockholders approved the Commercial Metals Company 2006 Cash Incentive Plan (the Cash Incentive Plan), the purpose of which is to advance the interests of the Company and its stockholders by:

providing those employees designated by the Committee, which may include NEOs, Senior Executives, Senior Managers and other employees of the Company, incentive compensation tied to stockholder goals for Company and individual performance;

identifying and rewarding superior performance;

providing competitive compensation to attract, motivate, and maintain outstanding employees who achieve superior financial performance for the Company; and

fostering accountability and teamwork throughout the Company.

In accordance with the terms of the Cash Incentive Plan, the Committee establishes appropriate annual or longer term performance periods, designates those executives eligible to participate, sets the level of potential awards and determines the financial or other performance measures which, if attained, result in awards being paid (the performance goals). Management may periodically make recommendations as to these matters but the Committee makes all decisions for implementation of the Cash Incentive Plan. In establishing performance goals the Committee reviews both past and forecasted performance levels for the Company applicable to those executives with overall Company responsibilities and, with respect to Messrs. Rinn and Zoellner, each business unit for which they are responsible. The Committee then exercises its judgment to establish levels of performance needed to achieve targets in the context of the overall industry conditions and projected general economic conditions.

The Committee has elected to establish both an annual and a long-term performance period (discussed below under Long-Term Cash Incentive) under the Cash Incentive Plan. The performance period for the annual bonus (the Annual Cash Incentive Bonus) is the Company s fiscal year. The Annual Cash Incentive Bonus is designed to focus the Company executives on short-term return and operating profit goals. The two goals in concert, we believe, help ensure that executives are focused on fully leveraging their existing assets and maximizing operational efficiencies.

For the performance period fiscal year 2007, twenty five of the Senior Executives, including five of the NEOs (excluding Mr. Rabin), were designated by the Committee as participants eligible to receive an Annual Cash Incentive Bonus. For each participating NEO, the Committee established written performance goals for the Company, business unit or a combination of each and assigned an appropriate weighting to each goal. For the designated NEOs, except Messrs. Rinn and Zoellner, overall Company performance goals (weighted equally) composed 100% of the measurement matrix for awards during the fiscal year 2007 performance period. For Messrs. Rinn and Zoellner, overall Company performance goals (weighted equally) composed 40% and their respective business unit performance goals (weighted equally) composed 60% of the measurement matrix for their awards. Mr. Rinn s business unit goals for the domestic mill and domestic fabrication segments under his management were combined into one set of goals. Mr. Zoellner s were weighted equally between the respective goals for each of the Marketing and Distribution and CMCZ segments under his management. The Annual Cash Incentive Bonus payout opportunity set for threshold, target and maximum, performance and established as a

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percentage of each participating NEOs base salary, applicable to the fiscal year 2007 performance period are shown in the following table.

2007 Annual Cash Incentive Bonus Opportunity
Expressed as a Percentage of Base Salary at Beginning of Fiscal Year 2007

Name	Threshold	Target(1)	Maximum
Murray R. McClean	50%	100%	300%
Russell B. Rinn	30%	60%	205%
Hanns K. Zoellner	30%	60%	205%
William B. Larson	30%	60%	205%
David M. Sudbury	30%	60%	205%

(1) Target incentive is designed to achieve, when combined with base salary and target Long-Term Cash Incentive, approximately the 50^{th} percentile, or slightly higher, of Peer Group comparable position annual cash compensation.

The fiscal year 2007 performance period goals for threshold, target and maximum of the Company and business unit components established for the Annual Cash Incentive Bonus are listed in the following three tables. Threshold is the minimum performance required to obtain the minimum incentive amount. Target is the expected performance level of the executive, and maximum is exceptional performance. When referenced in the following tables, ROIC, FIFO, RONA and Operating Profit have the following meanings:

Return on Invested Capital or ROIC means net earnings before interest expense divided by the sum of commercial paper, notes payable, current maturities of long-term debt, debt and stockholders equity.

FIFO Net Earnings means net earnings calculated using the first in, first out inventory costing principle for all inventories.

Return on Net Assets or RONA means for the Company or applicable business unit, the percentage obtained by dividing Operating Profit by the value of average net assets, determined by using the first in, first out (FIFO) method of inventory valuation.

Operating Profit means FIFO Net Earnings for the Company or applicable business unit, before income taxes, interest (both internal and external) and program/discount fees and expenses.

2007 Company Performance Matrix

Commercial Metals Company	Threshold	Target	Maximum
ROIC	12.6%	16.00%	23.00%
FIFO Net Earnings	$200,000,000	$250,000,000	$348,000,000

2007 Business Unit Performance Matrix
Applicable to 60% of Mr. Zoellner s Annual Cash Incentive Bonus

Business Unit Performance Goal	Threshold	Target	Maximum
Marketing & Distribution:			
RONA	15%	18%	21%
Operating Profit	$48,000,000	$65,000,000	$90,000,000
CMCZ:			
RONA	15%	17%	20%
Operating Profit	$25,000,000	$35,000,000	$50,000,000

2007 Business Unit Performance Matrix
Applicable to 60% of Mr. Rinn s Annual Cash Incentive Bonus

Business Unit Performance Goal	Threshold	Target	Maximum
Combined Domestic Mills and Domestic Fabrication			
RONA	18%	27%	40%
Operating Profit	$250,000,000	$340,000,000	$405,000,000

The Company s overall performance in fiscal year 2007 was the second best in its history, and fiscal year 2007 performance calculations for Company and business unit performance resulted in all but one of the NEOs receiving the maximum Annual Cash Incentive Bonus. Mr. Rinn s Annual Cash Incentive Bonus was lower than maximum due to attainment of less than the maximum performance of one of the business units under his supervision.

The amount of each executive s Annual Cash Incentive Bonus for the fiscal year 2007 performance period was established after review of the audited financial statements for that period, presentation of a report by management calculating the extent of achievement of the applicable performance goals and certification of the award amounts by the Committee pursuant to the terms of the Cash Incentive Plan. All payments under the Cash Incentive Plan, including the Annual Cash Incentive Bonuses, are subject to reduction (but not increase) by the Committee in its sole discretion. The Annual Cash Incentive Bonus for the fiscal year 2007 performance period for each of the NEOs was paid in November 2007, without reduction by the Committee. Fiscal year 2007 Annual Cash Incentive Bonus payments to NEOs pursuant to the Cash Incentive Plan are listed in the Summary Compensation Table on page 30.

The Committee reviews the Company performance goal metrics annually to ensure that the metrics selected are those most likely to improve the overall value of the Company over the fiscal year. To that end, the Committee has reviewed and established performance goals for each of the NEOs (excluding Mr. Rabin) and 19 other Senior Executives participating in the Annual Cash Incentive Bonus for the fiscal year 2008 performance period. Like 2007, the 2008 goals are based on overall Company performance, business unit performance or a combination of each. For the designated NEOs, except Messrs. Rinn and Zoellner, overall Company performance goals (weighted equally) compose 100% of the measurement matrix for awards for the fiscal year 2008 performance period. For Messrs. Rinn and Zoellner, overall Company performance goals (weighted equally) compose 40% and their respective business unit performance goals (weighted equally) composed 60% of the measurement matrix for their awards.

The Annual Cash Incentive Bonus payout opportunity set for threshold, target and maximum, performance and established as a percentage of each participating NEOs base salary, for the fiscal year 2008 performance period are shown in the following table. These performance targets do not correspond to any financial guidance that the Company has provided or may provide for future periods and should not be considered as statements of the Company s expectations or estimates of results. The Company specifically cautions investors not to apply these statements to other contexts.

2008 Annual Cash Incentive Bonus Opportunity
Expressed as a Percentage of Base Salary at Beginning of Fiscal Year 2007

Name	Threshold	Target(1)	Maximum
Stanley A. Rabin	N/A	N/A	N/A

Murray R. McClean	50%	100%	300%
Russell B. Rinn	37.5%	75%	210%
Hanns K. Zoellner	37.5%	75%	210%
William B. Larson	37.5%	75%	195%
David M. Sudbury	37.5%	75%	195%

(1) Target incentive is designed to achieve, when combined with base salary and target Long-Term Cash Incentive, approximately the 50th percentile, or slightly higher, of Peer Group comparable position annual cash compensation.

The fiscal year 2008 performance goals for threshold, target and maximum of the Company and business unit components established for the 2008 Annual Cash Incentive Bonus are listed in the following three tables. The performance matrix for business units applicable to Messrs. Rinn and Zoellner are tied to performance of their respective business units.

The amount of each executive s Annual Cash Incentive Bonus for the fiscal year 2008 performance period will be calculated based on fiscal year-end audited financial statements. All Annual Cash Incentive Bonus amounts are subject to reduction (but not increase) by the Committee in its discretion.

2008 Company Performance Matrix

Commercial Metals Company	**Threshold**	**Target**	**Maximum**
ROIC	12.5%	15%	23%
FIFO Net Earnings	$250,000,000	$300,000,000	$370,000,000

2008 Business Unit Performance Matrix
Applicable to 60% of Mr. Zoellner s Annual Cash Incentive Bonus

Business Unit Performance Goal	**Threshold**	**Target**	**Maximum**
International Division			
RONA	15%	20%	22%
Operating Profit	$60,000,000	$90,000,000	$130,000,000

2008 Business Unit Performance Matrix
Applicable to 60% of Mr. Rinn s Annual Cash Incentive Bonus

Business Unit Performance Goal	**Threshold**	**Target**	**Maximum**
Americas Division			
RONA	15%	25%	33%
Operating Profit	$400,000,000	$480,000,000	$540,000,000

How and Why are Discretionary Bonuses Awarded To Executives?

Separate from, and in addition to the Annual Cash Incentive Bonus under the Cash Incentive Plan, the Committee may in its discretion, approve an additional discretionary cash award to employees, including the NEOs (the Annual Discretionary Incentive). This Annual Discretionary Incentive is generally established as a percentage of the executive s base salary, but the method of calculation of all Annual Discretionary Incentive awards is solely at the discretion of the Committee. The Committee believes that it is important to maintain discretionary authority over a portion of its executive s annual cash incentives in order to respond to circumstances unforeseen at the beginning of the year when metrics are established for performance goals, and to reward the achievement of more subjective goals and objectives which may not be capable of adequate measurement to qualify as performance goals under the Cash Incentive Plan. At the end of each fiscal year the Committee determines whether any discretionary awards are deemed warranted, and, if so, the amount of the Annual Discretionary Incentive to be granted. Each discretionary cash award is based on the Committee s evaluation of the individual s overall job performance including progress toward non-financial or less objective goals such as people development, training and succession planning as well as a qualitative assessment of the business and competitive conditions in which the Company operates.

The fiscal year 2007 Annual Discretionary Incentive to Murray R. McClean was 60% of his base salary, and was awarded following superior performance during his first year as Chief Executive Officer, including but not limited to the successful assumption of CEO duties while achieving transition objectives, setting of corporate strategy, commencement of PIP (a substantial enterprise software implementation project), a major reorganization

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of the business units, and the achievement of the second best yearly financial performance in the Company s history. In fiscal year 2007, the Committee awarded to the NEOs (excluding Mr. Rabin who received none) Annual Discretionary Incentive Bonuses ranging from approximately 30% to 60% of base salary. Annual Discretionary Incentive Bonus awards for the NEOs were reflective of the performance of the executive team and, except in the case of the CEO, the CEO s recommendations. No management recommendation is made with regard to any compensation, including Annual Discretionary Incentive Bonus, for the CEO. Discretionary Incentive Bonus amounts for all NEOs are listed in the Summary Compensation Table on page 30.

Long-Term Cash Incentive

As discussed above under Annual Cash Incentive Bonus, the Committee has elected to establish both annual and longer term performance periods under the Cash Incentive Plan. In accordance with the objectives of the Cash Incentive Plan and those of the Key Employee Long-Term Incentive Plan (the Plan utilized prior to adoption of the Cash Incentive Plan which operated similarly to the Cash Incentive Plan) the Company provides Senior Executives, including participating NEOs, the opportunity for cash payments (Long-Term Cash Incentive) contingent on the attainment of multi-year performance goals. At the beginning of each three year performance period, the Committee establishes performance goals and sets threshold, target and maximum achievement levels for award opportunities for each participant expressed as a percentage of that participant s base salary in effect at the beginning of the period. Results are measured over the ensuing three-year period. Participants are paid cash awards following the end of each three year period only if the Company achieves the performance goals. A minimum level (threshold) is established below which no payment will be made to any participant as well as a target and maximum award payment for each participant.

During each of the performance periods consisting of fiscal years 2005 through 2007, 2006 through 2008, 2007 through 2009 and 2008 through 2010, growth in net earnings before interest (including accounts receivable securitization program expense), taxes, depreciation, amortization and accrual for Long-Term Cash Incentives, which we call LTI-EBITDA, was used as the sole performance goal. An increase or continuation of the Company s record high annual LTI-EBITDA in existence at the beginning of each three year performance period and averaged over the ensuing three year performance period, has been established as the minimum hurdle to reach a threshold Long-Term Cash Incentive payment. Increases to the prior record high LTI-EBITDA have been required over each three year performance period to attain target and maximum payments. The Committee does not consider individual business unit results or individual performance in establishing this performance goal for the Long-Term Cash Incentive.

The Committee considers the establishment of high, yet attainable, results over a three-year performance period to be a significant factor in balancing short-term and longer term cash incentives as part of the executive compensation program. The Committee believes the use of growth in LTI-EBITDA over a three year period as a performance goal drives the Company s participating executives to focus on activities that cause the Company to generate earnings growth, a key factor in increasing stockholder value. Jointly, the Annual Cash Incentive Bonus, the Annual Discretionary Incentive, and the Long-Term Cash Incentive provide balanced cash incentives rewarding executive focus on delivering short-term results and yet managing in such a way to ensure long-term growth.

At the end of each three year performance period, the Committee reviews the management report as to the level of achievement of the performance goal for the period, approves the calculations of the awards based on achievement of the previously established threshold, target and maximum award levels and authorizes payment of the awards to those executives that were designated as participants at the beginning of the three year performance period. Additionally, the Committee approves the group of Senior Executives (including the participating NEOs) and Senior Managers who are designated to participate in the three-year performance period then beginning as well as establishing the applicable LTI-EBITDA performance goal for the period.

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The following tables describe the payout opportunity set for threshold, target and maximum performance (expressed as a percentage of base salary at the beginning of each respective three year period) for the performance period ended in 2007 and each of the periods ending in 2008, 2009 and 2010. When serving as Chief Executive Officer Mr. Rabin was designated a participant in the performance period ended with fiscal year 2007 and the performance period ending in 2008 but was not a participant in subsequent periods. Long-Term Cash Incentive payments attributable to the three year performance period ended August 31, 2007, are listed in the Summary Compensation Table on page 30.

Fiscal Year 2005 through 2007 Long-Term Cash Incentive Opportunity
Expressed as a Percentage of Base Salary at Beginning of Fiscal Year 2005

Name	Threshold LTI-EBITDA $330,796,440	Target(1) LTI-EBITDA $343,048,160	Maximum LTI-EBITDA $355,299,880
Stanley A. Rabin	40%	80%	120%
Murray R. McClean	30%	60%	90%
Russell B. Rinn	25%	50%	75%
Hanns K. Zoellner	25%	50%	75%
William B. Larson	22.5%	45%	67.5%
David M. Sudbury	22.5%	45%	67.5%

These performance targets for the following performance periods not yet ended do not correspond to any financial guidance that the Company has provided or may provide for future periods and should not be considered as statements of the Company s expectations or estimates of results. The Company specifically cautions investors not to apply these statements to other contexts.

Fiscal Year 2006 through 2008 Long-Term Cash Incentive Opportunity
Expressed as a Percentage of Base Salary at Beginning of Fiscal Year 2006

Name	Threshold LTI-EBITDA $563,699,000	Target(1) LTI-EBITDA $597,520,940	Maximum LTI-EBITDA $620,068,900
Stanley A. Rabin	40%	80%	120%
Murray R. McClean	35%	70%	105%
Russell B. Rinn	30%	60%	90%
Hanns K. Zoellner	30%	60%	90%
William B. Larson	22.5%	45%	67.5%
David M. Sudbury	22.5%	45%	67.5%

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Fiscal Year 2007 through 2009 Long-Term Cash Incentive Opportunity
Expressed as a Percentage of Base Salary at Beginning of Fiscal Year 2007

Name	Threshold LTI-EBITDA $670,830,000	Target(1) LTI-EBITDA $711,079,800	Maximum LTI-EBITDA $724,496,400
Stanley A. Rabin	N/A	N/A	N/A
Murray R. McClean	40%	80%	120%
Russell B. Rinn	30%	60%	90%
Hanns K. Zoellner	30%	60%	90%
William B. Larson	30%	60%	90%
David M. Sudbury	30%	60%	90%

Fiscal Year 2008 through 2010 Long-Term Cash Incentive Opportunity
Expressed as a Percentage of Base Salary at Beginning of Fiscal Year 2008

Name	Threshold LTI-EBITDA $691,629,000	Target(1) LTI-EBITDA $733,126,740	Maximum LTI-EBITDA $746,959,320
Stanley A. Rabin	N/A	N/A	N/A
Murray R. McClean	40%	80%	120%
Russell B. Rinn	35%	70%	105%
Hanns K. Zoellner	35%	70%	105%
William B. Larson	30%	60%	90%
David M. Sudbury	30%	60%	90%

(1) Target Long-Term Cash Incentive is designed to achieve, when combined with base salary and the target Annual Cash Incentive Bonus, approximately the 50th percentile, or slightly higher, of Peer Group comparable position annual cash compensation.

How Does Equity Based Compensation Operate as a Component of Overall Compensation?

Equity based compensation along with cash incentive compensation is used to afford the executive the opportunity, when achieving maximum performance, to reach the upper quartile or better of Peer Group comparable position compensation.

Commercial Metals Company 2006 Long-Term Equity Incentive Plan (the Equity Incentive Plan)

In January of 2007, stockholders approved the Equity Incentive Plan the purpose of which is to attract and retain the services of key management and employees of the Company and its subsidiaries and to provide such persons with a proprietary interest in the Company through the granting of equity incentives which, as determined by the Committee, may include incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, and other awards, whether granted singly, or in combination, or in tandem, that will:

drive participants to achieve superior financial performance of the Company;

incent executives to increase stockholder value equal to or in excess of the average steel industry performance; and

provide a retention tool for the Company.

Grants Pursuant to the Equity Incentive Plan

In accordance with the Equity Incentive Plan, the Committee approves annual equity awards. The grant date is either the same date as the Committee approves the grant or a specifically designated future date established by the Committee when it acts. The Committee does not grant equity compensation awards or options in anticipation of the release of material non-public information and the Company does not time the release of such information based on equity award grant dates. The grant price for all equity awards under the Equity Incentive Plan is the fair market value as defined in the Equity Incentive Plan which is the closing sales price per share of the Company s common stock on the NYSE Consolidated Tape on the date of the award or in the absence of reported sales on such day, the most recent previous day for which sales were reported. The Committee has never approved an option or other equity award with a grant price different from the fair market value as defined under the applicable plan on the date of grant.

The Committee has established guidelines for its use in determining the number of equity-based shares to grant to the Company executives. The Committee determined that equity awards should, in part, be granted with an eye toward superior Company performance relative to the Peer Group, and determined that more equity-based awards should be granted in years where the Company s total stockholder return ranked higher amongst the Peer Group, and fewer or no equity-based awards in years where the Company ranked lower. While the Committee also considers each executive s individual performance, internal equity and external equity when granting equity based awards, it believes that the tenet of at-risk compensation should also apply to equity grants.

Equity awards support the Company s overall compensation strategy by providing executives with variable compensation incentives that drive long-term performance focus, balancing shorter term incentives and thus closely aligning the executive s variable compensation with the interests of the stockholders.

Under the Equity Incentive Plan, the Committee meets annually to consider equity awards utilizing a look-back basis to determine the appropriate number of awards based on the Peer Group total stockholder return comparison described above. In June 2007, equity awards were made by the Committee following a practice that the Committee considers grants of equity awards for NEOs and other Senior Executives annually after a review of Company performance and stockholder return compared to Peer Group performance

In calendar year 2006, the look back year for granting equity awards in fiscal year 2007, the Company ranked at the 82^{nd} percentile on a total stockholder return basis against its Peer Group. Based on an evaluation of each executive s responsibilities, ability to influence long-term growth and the profitability and performance achieved, the Committee authorized awards of stock appreciation rights (SARs) to five of our six NEOs during fiscal year 2007. A total of 307 other employees also received either SARs and/or restricted stock awards. The Committee believes equity based incentives align stockholder interest with compensation levels and intends to continue issuing equity incentives, when and in the form it considers appropriate. Fiscal year 2007 grants of plan based awards for each NEO are listed in the Grants of Plan Based Awards Table on page 31.

For fiscal year 2007, the combination of base salary, short-term cash, long-term cash and equity incentives resulted in the NEOs, excluding Mr. Rabin, achieving approximately the 75^{th} percentile of total direct compensation among the Peer Group.

What are the Other Elements of Compensation?

The Company also provides retirement benefits in the form of a Profit Sharing and 401(k) Plan and a Benefit Restoration Plan, as well as similar plans for internationally based management employees, and medical, Social Security (or its foreign equivalent) and other welfare benefits. Mr. Zoellner does not participate in either of the Plans described below but does participate in retirement plans available to certain Swiss employees described on page .

Retirement and Nonqualified Deferred Compensation Benefits

Profit Sharing and 401(k) Plan

The primary tax qualified long-term compensation retirement plan we have for our employees in the United States is the Commercial Metals Company s Profit Sharing and 401(k) Plan (the PS/401(k) Plan).

The PS/401(k) Plan is a defined contribution plan and all Company payments to the plan are discretionary. Under the terms of this Plan, participating employees may elect to contribute, up to a federally mandated maximum, a portion of their compensation on a pre-tax basis. For fiscal year 2007, the Company matched one-half of the first three percent of employee deferral contributions for a maximum Company paid match of one and one-half percent of participating employee contributions. During fiscal year 2007 the Company made two additional types of discretionary Company contributions to the Plan for the benefit of participants. The first, a safe harbor contribution, was equal to 3% of each participant s eligible compensation. The second type of Company contribution was the Company profit sharing contribution which was 8.5% of each participant s eligible compensation. The NEOs participate in the PS/401(k) Plan although their elective contributions and those of the Company are restricted in amount by law. Other than a Swiss pension plan applicable only to employees based in Switzerland as described on pages 34 and 35, the Company has one defined benefit pension plan for a small number of employees at one U.S. operation that was recently acquired. The amounts contributed to the PS/401(k) Plan account of each NEO are listed in the Summary Compensation Table on page 30.

Benefit Restoration Plan

As a result of limitations mandated by federal tax law and regulations that limit defined contribution plan retirement benefits of more highly compensated employees, the Board of Directors in fiscal year 1996 approved the Benefit Restoration Plan (BRP). The BRP is a non-qualified plan for certain executives, including each of the NEOs, designated by the Committee, who are subject to federally mandated benefit limits in the PS/401(k) Plan. Following each fiscal year-end the Company credits to the participant s account under the BRP a dollar amount equal to the amount of Company contribution the participant would have received under the PS/401(k) Plan but for the limit imposed by law on Company contributions to that plan. A BRP participant may also elect to defer up to fifty percent of compensation into his or her BRP account.

Although not required to do so under the BRP, the Company may segregate assets equal to a portion of the BRP amount credited to participant accounts in a trust created for BRP participants. Each BRP participant is a general unsecured creditor of the Company to the extent of his or her BRP account benefit and the assets of the trust are subject to claims of Company creditors in general. The amount the Company credits to the accounts of BRP participants, including NEOs, vest under the same terms and conditions as the PS/401(k) Plan. All NEOs participating in the BRP are fully vested as a result of their years of service with the Company. The investment options available to BRP participants are mutual funds similar to those offered in the PS/401(k) Plan. There is no Company guaranteed or above market rate of return on BRP accounts. The Committee believes these payments are an important element in our long-term compensation program because they restore a reasonable level of retirement benefits for key employees, including NEOs. The specific contributions into the BRP plan accounts for each of the NEOs are listed in the Summary Compensation Table on page 30.

Perquisites

The Company provides limited perquisites to Senior Executives, including the NEOs, in order to facilitate the successful achievement of their and the Company s performance. These perquisites include company provided leased cars and lunch club memberships. The value of these perquisites is listed as part of the Summary Compensation Table. The Company does not own or provide corporate aircraft, security services, personal tax or financial planning, an executive dining room or similar perquisites to Senior Executives.

Medical and Other Welfare Benefits

The Company s executives, along with all other employees, are eligible to participate in medical, dental, vision, life, accidental death and disability, long-term disability, short-term disability, and any other employee benefit made available to employees.

Do the NEOs Employment Contracts Contain Termination, Severance and Change in Control Benefits?

As of August 31, 2007, the Company has employment contracts with two executive officers, Messrs. McClean and Zoellner, and executive employment continuity agreements with Messrs. Rinn, Zoellner, Larson and Sudbury.

Employment Contracts

We entered into an employment agreement with Murray R. McClean on May 23, 2005, following his election as Executive Vice President and Chief Operating Officer which was amended effective September 1, 2006, when named CEO. This agreement terminates August 31, 2009, unless earlier terminated as provided and will automatically renew for one year terms thereafter unless terminated by either party. Mr. McClean s minimum base salary is $600,000 per year. He is also eligible to earn a bonuses under the Company s compensation program but has no guaranteed bonus amount. Mr. McClean is also eligible to participate in or receive benefits under any plan or arrangement made generally available to our employees. In the event of Mr. McClean s death, the Company shall make a one time payment of $50,000 to his estate. If we terminate Mr. McClean s employment for cause, or for nonperformance due to disability, or if Mr. McClean terminates his own employment, then we have no further payment obligations. If we terminate Mr. McClean s employment without cause, then we must pay 150% of his then current annual base salary plus an amount equal to 150% of his average annual bonus payments over the prior 5 years. At such time as we do not renew the agreement after the initial term, we shall pay Mr. McClean $100,000. Upon a change in control accompanied by his termination without cause by the Company or for good reason by Mr. McClean, Mr. McClean s will be entitled to a lump sum payment equal to two times his then current annual base salary as well as a cash payment equal to two times the average annual discretionary bonus received by Mr. McClean for the five year period ending with the Company s last complete fiscal year prior to the change in control. Mr. McClean has agreed that for eighteen months after his termination, he will not participate in any business that is competitive with our business.

Termination for cause is defined in his agreement as a breach of the agreement or his fiduciary duty to the Company as well as a criminal act or act of moral turpitude or dishonest acts which materially harm the Company, or chemical dependency. Termination for good reason by Mr. McClean is defined as the Company s breach of the agreement, a significant reduction in Mr. McClean s responsibilities, or the Company s requiring him to work at a location more than 50 miles from its current location.

We entered into an employment agreement with Hanns Zoellner on January 2, 1998. The original term of the agreement ended January 2, 2006, but the agreement provides for automatic annual renewal unless either party gives notice to the other to terminate employment. The agreement establishes Mr. Zoellner s minimum annual base salary at 380,000 Swiss Francs, approximately $340,000 at recent exchange rates. He is also eligible to earn annual or other bonus compensation as authorized by the Committee and is eligible to participate in or receive benefits under any plan or arrangement made generally available to our employees. If we terminate Mr. Zoellner s employment for cause under Swiss law, or for nonperformance of duties due to disability, or if Mr. Zoellner terminates his own employment, then we have no further payment obligations. If we terminate Mr. Zoellner s employment without cause under Swiss law, then we must pay Mr. Zoellner a severance payment equal to his base salary at the time of termination. For a period of two years after his termination, he will not participate in any business that is competitive with our business.

Change in Control Agreements

Our Change in Control Agreements are known as Executive Employment Continuity Agreements (EECAs). In April, 2006, the Board of Directors of the Company authorized the execution of a form of EEAC (the Agreement) with certain key executives, including each of the NEOs with the exception of Messrs. Rabin and McClean. The Agreement is intended to ensure that the Company will have the continued attention and dedication of the executive in the event of a Change in Control of the Company (as defined below). Should a Change in Control occur, the Company has agreed to continue to employ each executive for a period of two years thereafter (the Employment Period). The EECAs terminate two years after a Change in Control.

During the Employment Period, each executive will continue to receive (i) an annual base salary equal to at least the executive s base salary before the Change in Control; (ii) cash bonus opportunities equivalent to that available to the executive under the Company s annual and long-term cash incentive plans in effect immediately preceding the Change in Control; and (iii) continued participation in all incentive, including equity incentive, savings, deferred compensation, retirement plans, welfare benefit plans and other employee benefits on terms no less favorable than those in effect during the 90-day period immediately preceding the Change in Control.

Should the executive s employment be terminated during the Employment Period for other than cause or disability (including Constructive Termination) the Agreement requires the Company to pay certain severance benefits to the executive. The severance benefits for Messrs. Larson, Rinn, Zoellner and Sudbury include an amount equal to four times the highest base salary in effect at any time during the twelve month period prior to the Change in Control as well as unpaid salary, vacation pay and certain other amounts considered to have been earned prior to termination. Constructive Termination is defined in the Agreement as the failure to maintain the executive in the position held by him prior to the Change in Control, a material adverse change in the executive s responsibilities, the failure to pay the amounts due him under the Agreement, or requiring the executive to relocate more than 50 miles from his workplace. Company contributions to retirement plans and participation, including that of the executive s eligible dependents, in Company provided welfare plan benefits will either be continued for two years following termination or their cash equivalent for such period paid to the executive. All un-exercised and un-vested equity incentives including restricted stock awards, stock appreciation rights and stock options previously granted to such executive will become immediately vested and exercisable.

The Agreement does not provide for a tax gross up reimbursement payment by the Company to the executive for taxes, including Section 4999 excise taxes, the employee may owe as a result of receipt of payments under the Agreement. The Agreement does require the Company to determine if the payments to an executive under the Agreement combined with any other payments or benefits to which the executive may be entitled (in aggregate the Change in Control Payments) would result in the imposition on the executive of the excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the Code). The Company will either reduce the Change in Control Payments to the maximum amount which would not result in imposition of the Section 4999 excise tax or pay the entire Change in Control Payment to the executive if, even after the executive s payment of the Section 4999 excise tax, the executive would receive a larger net amount.

The Agreement does not provide for any employment or severance benefit prior to an actual or, in some circumstances shortly before, a Change in Control. In the event the executive is terminated more than two years following a Change in Control no severance benefits are provided under the Agreement. The Agreement provides that the executive not disclose any confidential information relating to the Company and, for a period of one year following termination of employment, not compete with the business as conducted by the Company within 100 miles of a Company facility nor solicit or hire employees of the Company or knowingly permit (to the extent reasonably within the executive s control) any business or entity that employs the executive or in which the executive has an ownership interest to hire Company employees. If a court rules that the executive has violated these provisions, the rights of the executive under the Agreement will terminate.

The Agreement defines a Change in Control to be either (i) the acquisition of 25% or more of the outstanding voting securities of the Company, (ii) the replacement of a majority of the members of the Board of Directors by Directors not approved by the incumbents, (iii) the sale of substantially all the assets of the Company to an entity of which the Company owns less than 50% of the voting securities, or (iv) the merger of the Company resulting in the pre-merger shareholders of the Company not controlling at least 50% of the post-merger voting securities.

Acceleration of Plan Awards

In addition to the EECAs, our equity incentive plans also provide for accelerated vesting of stock-based awards regardless of whether a termination occurs as a result of a Change in Control. Further, the Cash Incentive Plan provides that in the event of a Change in Control, the Committee has discretion to take action to determine the extent to which incentive compensation is considered earned and payable during any performance period, consistent with the requirements of Section 162(m) of the Code, and further consistent with the best interests of the Company.

Both the cash and equity incentive plans contain the same change of control definitions as the EECAs. The only definition of change in control that differs from the EECAs is Mr. McClean s employment agreement which defines a change in control to be: either (i) the merger of the Company resulting in the pre-merger stockholders not having the same proportionate ownership of stock in the surviving corporation, (ii) the sale of substantially all the assets of the Company, (iii) stockholder approval of the Company s liquidation, (iv) the replacement of a majority of the members of the Board of Directors by Directors not approved by the incumbents, or (v) the acquisition of 25% or more of the outstanding voting securities of the Company.

The Payment Upon Termination or Change-in-Control Tables and narrative on pages 37 through 43 provide a description of the compensation to NEOs in the event of their termination following a change in control, as well as other events resulting in termination of employment. In all cases the amounts of equity awards were valued at the Company s per share stock closing price on August 31, 2007, of $28.89.

What are the Considerations with Regard to Deductibility of Executive Compensation?

Section 162(m) of the Code, limits the amount of compensation paid to the NEOs that may be deducted by the Company for federal income tax purposes in any fiscal year to $1,000,000. Performance-based compensation that has been approved by the Company s stockholders is not subject to the Code s $1,000,000 deduction limit. The Company s Cash Incentive Plan and Equity Incentive Plan have been approved by its stockholders and awards under those plans constitute performance-based compensation that is not subject to the Code Section 162(m) deductions limit. In part as a result of voluntary employee deferrals of compensation to the PS/401(k) Plan and the BRP Plan, it is believed that all compensation paid to NEOs attributable to fiscal year 2007 will be tax deductible to the Company.

While the Committee believes that it is important for compensation paid to our NEOs to be tax deductible under the Code, it does not think this should be the sole determining factor in establishing the Company s compensation program. The Committee believes that we must balance the emphasis on maximizing deductibility against the need to retain executive talent and the need to incent executives.

What is the Relationship between Prior Compensation and Current Compensation?

The Committee periodically reviews tally sheets and wealth accumulation information considering all forms of Company paid compensation paid to NEOs, but does not specifically consider this information when making changes in base salary, cash compensation or equity compensation.

What is the Company s Stock Ownership Policy and Policy Regarding Hedging of Company Stock?

Stock Ownership Guidelines and Transactions

The Board of Directors in April, 2006, approved stock ownership guidelines for directors, all NEOs, other officers and certain designated employees. The Board of Directors believes adoption of minimum ownership levels serve to further align the interests of those covered by the guidelines with the Company s stockholders. All directors, officers and employees designated as subject to the guidelines are to be in compliance no later than April 5, 2009. Individuals who are elected, hired or promoted into positions covered by the guidelines have three years following such date to attain the minimum ownership level. The guidelines require ownership of Company stock with a market value, as determined on January 31 of each year, of not less than the following amounts:

Non-employee Directors five times the annual retainer paid to all non-employee directors

President and Chief Executive Officer five times base salary

Most Vice Presidents including each Company business segment President, the Chief Financial Officer and the General Counsel three times base salary

Controller, Treasurer and Vice President and Chief Information Officer two times base salary

Other executives as may be designated by the Compensation Committee of the Board of Directors one times base salary.

The value of unvested restricted shares of Company Common Stock is included when determining the amount of stock ownership, but unexercised options, stock appreciation rights or similar equity incentives, vested or unvested, are not included. Many of those covered by the guidelines presently own Company stock in amounts substantially in excess of these minimum requirements. As of November 26, 2007, all NEOs and non-employee directors own Company stock in excess of the guideline minimums with the exception of Robert L. Guido who, as a result of his election as a director in April, 2007, is not required to be in compliance until 2010.

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The Board of Directors in 2002 adopted an expanded policy on insider trading prohibiting all employees from buying or selling Company stock while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in the Company s securities. The policy is available on the Company s website, www.cmc.com, in the Corporate Governance section. As part of this policy certain other Company stock related transactions by directors, officers and employees are also prohibited or subject to specific notice and pre-approval requirements. The policy is premised on the belief that even in those circumstances where the proposed transaction may not constitute a violation of law or applicable regulations it is nonetheless considered inappropriate for any director, officer or other employee of the Company to engage in short-term or speculative transactions in the Company s securities which may be viewed as reducing their incentive to improve the Company s performance or inconsistent with the objectives of the Company s shareholders in general. Therefore it is the Company s policy that directors, officers and other employees may not engage in any transactions involving the Company s securities which constitute short sales, puts, calls or other similar derivative securities. The policy discourages certain other transactions including hedging or monetization transactions, such as zero-cost collars, forward sale contracts and arrangements pledging Company securities as collateral for a loan (without adequate assurance of other available assets to satisfy the loan). Prior to entering into such transactions the policy requires notice to, review of the facts and circumstances by, and the pre-approval of, the Company s General Counsel.

EXECUTIVE COMPENSATION

The following tables, footnotes and narratives, found on pages 30 to 36, provide information regarding the compensation, benefits and equity holdings in the Company for the NEOs.

SUMMARY COMPENSATION TABLE

Using a Measurement Date of August 31, 2007

					Non-Equity Incentive Plan Compensation ($)(5)			Change in Pension Value & NQDC Earnings
Year	Salary ($)	Bonus ($)(2)	Stock Awards ($)(3)	Option Awards ($)(4)	Annual Incentive	Cash LTI	Total	($)
2007	$ 650,000	$ 0	$ 84,842	$ 60,149	$ 0	$ 720,000	$ 720,000	N/A
2007	$ 600,000	$ 360,000	$ 140,754	$ 303,842	$ 1,800,000	$ 360,000	$ 2,160,000	N/A
2007	$ 375,000	$ 157,500	$ 103,376	$ 176,881	$ 682,907	$ 243,750	$ 926,657	N/A
2007	$ 415,000	$ 177,750	$ 96,374	$ 174,290	$ 809,750	$ 270,000	$ 1,079,507	156,127(6)
2007	$ 350,000	$ 105,000	$ 85,275	$ 138,574	$ 717,500	$ 198,450	$ 915,009	N/A

2007	$ 350,000	$ 105,000	$ 103,949	$ 196,171	$ 717,500	$ 205,200	$ 922,007	N/A

(1) Mr. Zoellner s annual base salary is converted into an equal monthly Swiss Franc payment to be paid over the course of the fiscal year using the exchange rate of the U.S. Dollar to the Swiss Franc in effect at the time the salary is approved by the Committee. The salary amount included in the table is calculated using the average monthly exchange rate in effect over the twelve months of the fiscal year during which the salary was actually paid (for fiscal year 2007 the rate was 1.224 Swiss Francs to 1 U.S. Dollar). The amounts shown for Zoellner s Annual Cash Incentive Bonus and Long-Term Cash Incentive payments, also paid in Swiss Francs, use the exchange rate in effect at the time such amounts were paid.

(2) Represents the Annual Discretionary Incentive bonus as described in the foregoing Compensation Discussion and Analysis on page 21.

(3) Includes FAS 123R value of Restricted Stock Awards granted July 8, 2005 and May 23, 2006 which vested during 2007. Assumptions related to the FAS 123R values can be found in Note 1 in the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K which was filed with the Securities and Exchange Commission on October 30, 2007.

(4) Includes FAS 123R value of SARs granted on July 8, 2005, May 23, 2006, and June 22, 2007. Assumptions related to the FAS 123R values can be found in Note 1 in the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K which was filed with the Securities and Exchange Commission on October 30, 2007.

(5) Includes cash payout for the three year performance period ended August 31, 2007, under the Key Employee Long-Term Incentive Plan and Annual Cash Incentive Bonus attributable to fiscal year 2007 under the Cash Incentive Plan.

(6) Represents the Company contribution to Mr. Zoellner s Swiss retirement plans which was paid in Swiss Francs converted to U.S. Dollars at a conversion rate of 1.224. These plans are described on pages 34 and 35.

(7) Includes the Company s contribution of $28,600 to the PS/401(k) Plan to the account of each of Messrs. Rabin, McClean, Rinn, Larson and Sudbury and Company contributions to the BRP accounts of Messrs. Rabin, McClean, Rinn, Larson and Sudbury of $1,318,221, $414,934, $252,812, $174,017 and $389,588, respectively. The value of benefits and perquisites are also included in this column. All NEOs, except Mr. Zoellner, received a company furnished or reimbursed vehicle. Mr. Rinn s amount also includes the cost of company paid luncheon club memberships.

(8) Includes Company s contribution of $41,848 to the Swiss SOBP and of $14,322 to the Swiss BVG (as both are defined on page 34.

Grants of Plan Based Awards

The following table and footnotes provide information regarding grants of plan based awards to NEOs in fiscal year 2007.

GRANTS OF PLAN BASED AWARDS

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Option Awards
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**(#)(4)**	**($/Share)**	**Awards**
Stanley A. Rabin(1)						N/A	

		$ 300,000(2)	$ 600,000(2)	$ 1,800,000(2)			
		$ 240,000(3)	$ 480,000(3)	$ 720,000(3)			
Murray R. McClean	6/22/2007				104,900	$ 34.28	$ 1,183,602
		$ 112,500(2)	$ 225,000(2)	$ 768,750(2)			
		$ 112,500(3)	$ 225,000(3)	$ 337,500(3)			
Russell B. Rinn	6/22/2007				51,790	$ 34.28	$ 584,355
		$ 118,500(2)	$ 237,000(2)	$ 809,750(2)			
		$ 118,500(3)	237,000(3)	$ 355,500(3)			
Hanns K. Zoellner	6/22/2007				51,790	$ 34.28	$ 584,355
		$ 105,000(2)	$ 210,000(2)	$ 717,500(2)			
		$ 105,0006(3)	$ 210,000(3)	$ 315,000(3)			
William B. Larson	6/22/2007				36,710	$ 34.28	$ 414,205
		$ 105,000(2)	$ 210,000(2)	$ 717,500(2)			
		$ 105,000(3)	$ 210,000(3)	$ 315,000(3)			
David M. Sudbury	6/22/2007				36,710	$ 34.28	$ 414,205

(1) Mr. Rabin received no awards for fiscal year 2007 due to his impending retirement.

(2) Represents the Annual Cash Incentive Bonus under the Cash Incentive Plan. The Cash Incentive Plan and the terms of these awards are described in the section entitled, Annual Cash Incentive Bonus, on pages 18 through 21.

(3) Represents Long-Term Cash Incentive awards granted under the Cash Incentive Plan. The terms of these awards are described in the section entitled Long-Term Cash Incentive commencing on page 22.

(4) The option awards in this column represent Stock Appreciation Rights, vesting pro-rata annually on the grant date anniversary over three years, pursuant to the Equity Incentive Plan. This plan is described in the section entitled, Grants Pursuant to the Equity Incentive Plan, commencing on page 25.

Narrative Disclosure to Summary Compensation Table and Grants of Plan Based Awards Table

For a review of material terms of the employment agreements of McClean and Zoellner, please see pages 26 and 27. No other NEO has an employment agreement.

Material terms of the grants of plan based awards are described in pages 18 through 21 and 22 through 24 where we have discussed the Cash Incentive Plan and pages 24 through 25 where we have discussed the Equity Incentive Plan. The option awards in this column represent Stock Appreciation Rights, vesting pro-rata over three years, pursuant to the Equity Incentive Plan. This plan is described in the section entitled, Grants Pursuant to the Equity Incentive Plan, on page 25. The relationship of salary and bonus in proportion to total compensation is described on pages 13 to 16, including pie chart references to the same as well as charts reflecting at-risk vs. not-at-risk compensation.

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Outstanding Equity Awards at Fiscal Year-End

The following table and footnotes provide information regarding unexercised stock options and vested and unvested stock appreciation rights and unvested restricted stock as of the end of the fiscal year 2007. The market value of shares that have not vested was determined by multiplying the closing market price of the Company s stock on August 31, 2007, $28.89, by the number of shares.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options				Number of Shares or Units of Stock that have not Vested	Market Value of Shares or Units of Stock that have not Vested
Name	Exercisable (#)	Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	(#)	($)
Stanley A. Rabin	46,933	23,467	$ 12.310	7/8/2012	9,666	$ 279,251
	83,600	0	$ 7.782	3/5/2011		
Murray R. McClean	0	104,900	$ 34.280	6/22/2014		
	8,766	17,534	$ 24.570	5/23/2013	5,467	$ 157,942
	25,066	12,534	$ 12.310	7/8/2012	5,133	$ 148,292
	60,000	0	$ 7.782	3/5/2011		
Russell B. Rinn	0	51,790	$ 34.280	6/22/2014		
	6,000	12,000	$ 24.570	5/23/2013	4,000	$ 115,560
	18,533	9,287	$ 12.310	7/08/2012	3,800	$ 109,782