

COMMERCIAL METALS CO  
Form PRER14A  
December 05, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

(Amendment No. 1)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- 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):

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.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
  
- 2) Aggregate number of securities to which transaction applies:
  
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
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.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
  
- 2) Form, Schedule or Registration Statement No.:
  
- 3) Filing Party:
  
- 4) Date Filed:



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PRELIMINARY COPY SUBJECT TO COMPLETION

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On \_\_\_\_\_, 2012**

The annual meeting of stockholders (the Annual Meeting) of Commercial Metals Company, a Delaware corporation (Commercial Metals Company or the Company or we), will be held at \_\_\_\_\_, on \_\_\_\_\_, 2012, at \_\_\_\_\_, Central Standard Time. If you are planning to attend the Annual Meeting in person, please follow the instructions as outlined on the accompanying **WHITE** Proxy Card. Directions to the Annual Meeting are included at the end of the accompanying proxy statement.

The Annual Meeting will be held for the following purposes:

- (1) To elect three persons to serve as directors until the 2015 annual meeting of stockholders and until their successors are elected;
- (2) To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending August 31, 2012;
- (3) To hold an advisory vote on executive compensation;
- (4) To hold an advisory vote on the frequency of future advisory votes on executive compensation;
- (5) To vote on a proposal from High River Limited Partnership and certain of its affiliated entities led by Carl C. Icahn (the Icahn Group) to adopt a resolution urging the Board of Directors of the Company (the Board) to immediately redeem any and all outstanding Rights under the Company's Rights Agreement dated July 30, 2011;
- (6) To vote on a proposal from the Icahn Group to amend the Company's second amended and restated bylaws to require stockholder approval in order to authorize, establish, adopt or amend any rights plan or similar plan;
- (7) To vote on a proposal from the Icahn Group to adopt a resolution that would repeal any provision of the Company's second amended and restated bylaws in effect at the time of the Annual Meeting that was not included in the Company's second amended and restated bylaws as publicly filed with the Securities and Exchange Commission prior to October 18, 2011, and is inconsistent with any of the foregoing proposals by the Icahn Group that are approved by stockholders at the Annual Meeting; and
- (8) To transact such other business as may properly come before the Annual Meeting or any adjournments or postponement of the Annual Meeting.

The Icahn Group has stated its intention to present three proposals (Proposals 5, 6 and 7) for consideration at the Annual Meeting and to propose three director nominees for election at the Annual Meeting. **THE BOARD URGES YOU TO VOTE ONLY FOR THE BOARD'S PROPOSED NOMINEES AND PROPOSALS BY USING THE ENCLOSED WHITE PROXY CARD AND NOT TO SIGN OR RETURN OR VOTE ANY PROXY CARD SENT TO YOU BY THE ICAHN GROUP.** If you have already voted using a proxy card sent to you by the Icahn Group, you can revoke it by subsequently executing and delivering the **WHITE** Proxy Card or by voting in person at the Annual Meeting, by telephone or by Internet. Only your last-dated proxy will count, and any proxy may be revoked at any time prior to its exercise at the Annual Meeting as described in this proxy statement.

You are invited to attend the Annual Meeting. Whether or not you plan to attend the Annual Meeting, please vote your shares either by telephone, Internet or mail as described in the accompanying **WHITE** Proxy Card in order to be certain your shares are represented at the Annual Meeting. Proxies forwarded by or for banks, brokers or other fiduciaries should be returned as requested by them. The prompt return of proxies will save the expense involved in further communication.

The Board recommends that you vote **FOR ALL OF THE BOARD'S NOMINEES** on Proposal 1, **FOR** Proposals 2 and 3, for **ONE YEAR** on Proposal 4 and **AGAINST** Proposals 5, 6 and 7 identified above.

By Order of the Board of Directors,

ANN J. BRUDER  
*Corporate Secretary*

Irving, Texas

, 2011

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**Important Notice Regarding the Availability of Proxy Materials for the**

**Annual Meeting of Stockholders to be held on \_\_\_\_\_, 2012:**

**This Proxy Statement and the Annual Report to Stockholders for the fiscal year ended August 31, 2011**

**are available for viewing, printing and downloading at [www.ViewOurMaterial.com/CMC](http://www.ViewOurMaterial.com/CMC).**

**YOUR VOTE IS IMPORTANT, NO MATTER HOW MANY OR HOW FEW SHARES YOU OWN**

If you have questions about how to vote your shares, or need additional assistance, please contact MacKenzie Partners, Inc., who is assisting the Company in the solicitation of proxies:

105 Madison Avenue New York, New York 10016

**Stockholders may call toll-free at (800) 322-2885 or call collect at (212) 929-5500 with any questions**

**IMPORTANT**

The Board urges you **NOT** to sign any proxy card sent to you by the Icahn Group, which has notified the Company it intends to put forth its own slate of director nominees and to present three stockholder proposals at the Annual Meeting. If you have already signed any Icahn Group proxy card, you have every legal right to change your vote by using the enclosed **WHITE** Proxy Card to vote TODAY by telephone, by Internet, or by signing, dating and returning the **WHITE** Proxy Card in the postage-paid envelope provided.

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PRELIMINARY PROXY STATEMENT DATED NOVEMBER 23, 2011

SUBJECT TO COMPLETION

**COMMERCIAL METALS COMPANY**

**6565 North MacArthur Boulevard, Suite 800**

**Irving, Texas 75039**

**Telephone (214) 689-4300**

**PROXY STATEMENT**

**FOR**

**ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On \_\_\_\_\_, 2012**

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Commercial Metals Company (we or the Company) for use at the annual meeting of our stockholders to be held on \_\_\_\_\_, 2012 at \_\_\_\_\_ (the Annual Meeting), and at any and all postponements or adjournments of the Annual Meeting. The approximate date on which this proxy statement and accompanying **WHITE** Proxy Card are first being made available to stockholders is \_\_\_\_\_, 2011. The annual report to stockholders for fiscal year 2011 has been mailed to stockholders with this proxy statement or previously, and this proxy statement should be read in conjunction with the annual report.

Shares represented by each proxy, if properly executed and returned to us prior to the Annual Meeting in accordance with the instructions in the accompanying **WHITE** Proxy Card, will be voted as directed, but if not otherwise specified, will be voted (i) for the election of the three directors nominated by the Board and named in this proxy statement, (ii) to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm, (iii) for the approval of the advisory resolution on executive compensation, (iv) in favor of a frequency of every year for future advisory votes on executive compensation and (v) against the three proposals to be presented by High River Limited Partnership and certain of its affiliated entities led by Carl C. Icahn (the Icahn Group). A stockholder executing a proxy may revoke it at any time before it is voted by giving written notice to the Corporate Secretary of Commercial Metals Company, by subsequently executing and delivering a new proxy or by voting in person at the Annual Meeting.

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, to 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 accompanying **WHITE** Proxy Card.

Only stockholders of record on \_\_\_\_\_, 2011 are entitled to notice of and to attend and/or vote at the Annual Meeting or any adjournments of the Annual Meeting. A complete list of stockholders entitled to vote at the Annual Meeting will be available for examination at our principal executive offices located at 6565 North MacArthur Boulevard, Suite 800, Irving, Texas 75039 for a period of ten days prior to the Annual Meeting. The list of stockholders will also be available for inspection at the Annual Meeting and may be inspected by any stockholder for any purpose germane to the Annual Meeting. Proof of ownership of Commercial Metals Company common stock, as well as a form of personal photo identification, must be presented in order to be admitted to the Annual Meeting. If your shares are held in the name of a broker, nominee or other intermediary, you must bring proof of ownership with you to the meeting. A recent account statement, letter or proxy from your broker,



nominee or other intermediary will suffice.

**Table of Contents****PROXY STATEMENT SUMMARY**

*This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.*

**Annual Meeting of Stockholders**

|               |  |
|---------------|--|
| Time and Date |  |
| Place         |  |
| Record date   |  |
| Voting        | Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director to be elected and one vote for each of the other matters to be voted on. |
| Admission     | Proof of ownership of our common stock and a form of personal photo identification must be presented in order to be admitted to the Annual Meeting.  |

**Voting Matters**

|   | <b>Board Vote Recommendation</b>             | <b>Page Reference<br/>(for more detail)</b> |
|---|--|---|
| 1. Election of three directors  | FOR EACH OF THE BOARD'S<br>DIRECTOR NOMINEES | 13  |
| 2. Ratification of Deloitte & Touche LLP as independent registered public accounting firm for fiscal year ended August 31, 2012 | FOR  | 63  |
| 3. Advisory vote on executive compensation  | FOR  | 64  |
| 4. Advisory vote on the frequency of future advisory votes on executive compensation  | FOR ONE YEAR                                 | 65  |
| <b>Icahn Group Proposals</b>  |  |   |
| 5. Non-binding resolution for redemption of outstanding rights  | AGAINST                                      | 66  |
| 6. Bylaw amendment to require stockholder approval of rights plans  | AGAINST                                      | 67  |
| 7. Bylaw repeal amendments  | AGAINST                                      | 68  |

**The Board urges you to vote for the Board's nominees and proposals by using the enclosed WHITE proxy card and not to sign or return or vote any proxy card sent to you by the Icahn Group.**

**Election of Directors**

The Board has nominated three candidates for election to our Board of Directors as Class II directors, with a term expiring at the 2015 annual meeting of stockholders. A brief description of the director nominees follows. Additional detail on the director nominees can be found beginning on page 15 of this proxy statement. In addition, the name, age, years of service, biographical description and qualifications of each of the Class I and Class III directors continuing in office are provided beginning on page 17 of this proxy statement.

Harold L. Adams, age 72, has served on our Board since 2004. He has served as Chairman Emeritus of RTKL Associates Inc., a global design firm, since April 2003. Mr. Adams has accumulated broad experience in managerial and leadership matters in over 36 years of service as Chairman, President and Chief Executive Officer of an international architecture firm. Mr. Adams brings to the Board extensive knowledge of the construction industry, having served as Chairman of The Design-Build Institute of America and as a member of

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the National Academy of Construction. His service on the Board of Directors of other publicly traded companies provides our Board with additional perspective on the Company's operations and in the areas of management, operations and strategy. In addition, Mr. Adams has served as a leader on U.S. business advisory councils with Korea and China and the Services Policy Advisory Board to the U.S. Trade Negotiator and is Chairman of the Governor's International Advisory Council for the State of Maryland. In these roles, Mr. Adams worked in many major international markets in a myriad of economic climates and cultures.

Joseph Alvarado, age 59, has served on our Board since September 2011. Mr. Alvarado joined the Company in April 2010 as Executive Vice President and Chief Operating Officer. He was named President and Chief Operating Officer on April 6, 2011, and in June 2011, he was appointed President and CEO effective September 1, 2011. Mr. Alvarado has extensive experience in the metals, trading and manufacturing industries, which provides him with a keen understanding of the Company's industry and customer and consumer dynamics. Mr. Alvarado's vast experience in the steel industry has provided him with valuable knowledge of accounting, sales, manufacturing, planning and operations, all of which are relevant to his leadership of the Company and his service on the Board. His experience in domestic and global, integrated and minimill, and flat and long products further qualify him to lead the Company and serve on our Board. His service as our President and CEO provides the Board with significant perspective on our global operations. His in-depth knowledge of the Company's strategic priorities and operations enable him to provide valuable contributions and facilitate effective communication between management and the Board. His role as President and CEO also enables him to provide important contributions to strengthening the Company's leadership, operations, strategy, growth and long-range plans.

Anthony A. Massaro, age 67, has served on our Board since 1999. Mr. Massaro served as President and Chief Executive Officer of Lincoln Electric Holdings, Inc., a manufacturer of welding and cutting equipment, from 1996 to January 2005, and as Chairman from May 1997 to October 2005. Mr. Massaro has broad experience in leading a significant industrial enterprise, particularly with respect to international operations and business management. His service as the Chairman, President and Chief Executive Officer of Lincoln Electric Holdings, Inc. provides the Board with strong global business acumen and financial and strategic planning expertise. His strong international background provides our Board with additional perspective on corporate strategy and opportunities for current and future international operations. In addition, his public company directorship service provides our Board with experience in the areas of management, operations and strategy and provides additional perspective on the Company's operations. Mr. Massaro is currently our Lead Director, and effective as of January 1, 2012, he will serve as the independent, non-executive Chairman of our Board.

**Independent Registered Public Accounting Firm**

As a matter of good corporate governance, we are asking our stockholders to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending August 31, 2012. Set forth below is summary information with respect to Deloitte & Touche's fees for services provided in fiscal years 2011 and 2010.

| <b>Type of Fees</b> | <b>Fiscal Year<br/>2011</b> | <b>Fiscal Year<br/>2010</b> |
|---------------------|-----------------------------|-----------------------------|
| Audit Fees          | \$ 4,432,255                | \$ 3,692,000                |
| Audit-Related Fees  | \$ 4,250                    | \$ 105,250                  |
| Tax Fees            | \$ 0                        | \$ 0                        |
| All Other Fees      | \$ 2,345                    | \$ 2,345                    |
| <b>Total</b>        | <b>\$ 4,438,850</b>         | <b>\$ 3,799,595</b>         |

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We are asking stockholders to approve on an advisory basis our named executive officer compensation. The Board recommends a FOR vote because it believes that our compensation policies and practices are reasonable, competitive and highly-focused on pay-for-performance principles.

The Board also recommends that stockholders vote in favor of holding the advisory vote on executive compensation EVERY YEAR.

**Executive Compensation Elements**

| <b>PROGRAM</b>                              | <b>DESCRIPTION</b>   | <b>OBJECTIVES</b>   |
|---|--|---|
| <b>ANNUAL COMPENSATION:</b>                 |  |   |
| <b>Base Salary</b>                          | Annual cash compensation.  | Retention.  |
| <b>Annual Cash Incentive Bonus</b>          | Bonus plan based on performance periods set by the Compensation Committee (the Committee ) typically utilizing formula-driven target awards based upon performance goals.<br>Bonus payout for formulaic bonus features may be reduced below (but not increased above) formula results at the discretion of the Committee.  | Recognition of individual performance.<br>Focus executives on achieving pre-established performance goals, such as return on invested capital or net assets, operating profit, net earnings or working capital reduction.   |
| <b>Annual Discretionary Incentive Bonus</b> | Cash bonuses awarded at the discretion of the Committee. The Committee may consider any circumstances it deems appropriate in awarding these discretionary bonuses.  | Provides the Committee with flexibility to reward individual performance not reflected in formulaic metrics.<br>Focus employees on performance.<br>Reviewed annually for individual contribution in context of Company performance and internal pay equity and external benchmarking. |
| <b>LONG-TERM COMPENSATION:</b>              |  |   |
| <b>Long-Term Incentive Program</b>          | A long-term incentive program using a combination of time-vested and performance-based awards. The performance-based awards are subject to a multi-year performance period, currently based on growth in EBITDA and ROIC targets.<br><br>For the fiscal year 2011-2013 performance period, awards will be settled in time-vested restricted stock units and performance-based stock units, with the performance-based stock units settled in 50% cash and 50% Company stock. | Focus on long-term Company performance and long-term success.<br><br>Retention.<br><br>Employee alignment with stockholders via performance goals and stock ownership.  |

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| PROGRAM                          | DESCRIPTION  | OBJECTIVES  |
|----------------------------------|--|---|
| <b>OTHER EXECUTIVE BENEFITS:</b> |  |   |
| <b>Retirement Programs</b>       | Company offers an ERISA qualified defined contribution plan, a non-qualified plan designed to restore benefits that would have otherwise been received by participants but for applicable IRS limits, and pension retirement plans for designated employees located outside the U.S. | Attract qualified employees.<br>Retention.<br>Provide vehicle for retirement.                   |
| <b>Perquisites</b>               | Company-provided automobiles and related insurance and maintenance (or, alternatively, an allowance for the same).<br>Relocation benefits.   | Attract qualified employees.  |
| <b>Other Benefits</b>            | Medical, dental, vision, life insurance, short and long-term disability, employee assistance program, employee stock purchase plan, and other welfare benefits.  | Attract qualified employees.<br>Retention.<br>Provide health and welfare benefits to employees. |

**Other Key Compensation Features**

No tax gross-ups for Executive Employment Continuity Agreements.

Double trigger required for receipt of cash severance payments.

Executives and directors are subject to stock ownership guidelines.

Benchmarking process is used for compensation metrics.

Metrics based on Company and executive performance.

**2011 Compensation Decisions**

In fiscal year 2011, the following compensation actions were taken:

no Annual Cash Incentive Bonus or Long-Term Cash Incentive (each as defined in the Compensation Discussion & Analysis) payments were made to the named executive officers for fiscal year 2011;

certain named executive officers received discretionary annual bonuses in recognition of their significant efforts and contributions to the Company in fiscal year 2011;

the Company awarded Messrs. McClean and Larson retirement bonuses in the amounts of \$750,000 and \$100,000, respectively. These retirement amounts were awarded in recognition of the years of dedication and service to the Company and the efforts of each executive in assisting with the transition of their responsibilities to their successors;

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the named executive officers received a combination of performance-based and time-vested restricted stock units, with vesting of the performance-based stock units being determined based on a cumulative three-year EBITDA and ROIC targets (each as defined in the Compensation Discussion & Analysis), subject to the Committee's exercise of negative discretion based on the Company's ranking in total stockholder return as compared to the members of the peer group;

the named executive officers received salary and/or promotional increases; and

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the Company entered into a retirement agreement and amended employment agreement with Messrs. Larson and McClean, respectively, in connection with each officer's transition from the role of an officer of the Company and eventual retirement from the Company.

**Icahn Group Proposals**

The Icahn Group has notified us that it intends to present (1) a non-binding stockholder proposal recommending that the Board redeem all rights under our Rights Agreement (as defined herein) and terminate the Rights Agreement immediately thereafter, (2) a stockholder proposal to adopt a resolution that would amend the Company's second amended and restated bylaws to require stockholder approval in order to authorize, establish, adopt or amend any rights plan or similar plan and (3) a stockholder proposal to adopt a resolution that would repeal any provision of the Company's second amended and restated bylaws in effect at the time of the Annual Meeting that was not included in the Company's second amended and restated bylaws as publicly filed with the Securities and Exchange Commission (SEC) prior to October 18, 2011 and is inconsistent with any of the Icahn Group's proposals to be presented at the Annual Meeting. If the Icahn Group does not present these proposals at the Annual Meeting, these proposals will not be submitted to a vote. After thorough consideration, the Board recommends that you vote AGAINST the Icahn Group proposals, if submitted to a vote.

**THE BOARD URGES YOU TO VOTE FOR THE BOARD'S NOMINEES AND PROPOSALS AND AGAINST THE ICAHN GROUP PROPOSALS BY USING THE ENCLOSED WHITE PROXY CARD AND NOT TO SIGN OR RETURN OR VOTE ANY PROXY CARD SENT TO YOU BY THE ICAHN GROUP.**

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**INFORMATION ABOUT THE MEETING AND VOTING**

**Q: Why did you send me this proxy statement?**

**A:** We sent you this proxy statement and the enclosed **WHITE** proxy card because the Board is soliciting your proxy to vote at our Annual Meeting, and at any postponements or adjournments of the Annual Meeting. This proxy statement summarizes information that is intended to assist you in making an informed vote on the proposals described in this proxy statement.

**Q: Has the Company been notified that a stockholder intends to propose alternative director nominees at the Annual Meeting?**

**A:** Yes. The Company received a notice dated October 18, 2011 from the Icahn Group stating its intention to propose three alternative director nominees for election at the Annual Meeting. The Icahn Group nominees have NOT been endorsed by the Board. We urge stockholders NOT to use any proxy card that you may receive from the Icahn Group. The Board urges you to use the **WHITE** proxy card and vote FOR ALL of our nominees for director.

**OUR BOARD OF DIRECTORS URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY THE ICAHN GROUP.**

We are not responsible for the accuracy of any information provided by or relating to the Icahn Group contained in any proxy solicitation materials filed or disseminated by, or on behalf of, the Icahn Group or any other statements that the Icahn Group may otherwise make.

**Q: What additional contacts has the Company had with the Icahn Group subsequent to the Icahn Group's notice stating its intention to propose three alternative director nominees for election at the Annual Meeting?**

**A:** On November 28, 2011, Mr. Icahn issued two press releases containing open letters to the Company's Board of Directors proposing to acquire all outstanding shares of the Company's common stock at a price of \$15.00 per share in cash. On that same day, the Company issued a press release indicating that its Board of Directors, in consultation with its independent financial and legal advisers, would review the proposal and determine a response that is in the best interests of the Company and its stockholders.

On December 2, 2011, Mr. Icahn issued a press release containing another open letter to the Company's Board of Directors stating that it is incumbent on the Company's Board of Directors to respond to Mr. Icahn's offer by 9:00 a.m., New York City time, on Monday, December 5, 2011, to schedule a meeting to discuss the offer.

On December 5, 2011, the Company issued a press release announcing that the Board of Directors had rejected Mr. Icahn's proposal. In the press release, the Company stated that the Board had unanimously determined that the proposal substantially undervalues the Company and its future prospects, is opportunistic and is not in the best interests of the Company's stockholders.

**Q: Who is entitled to vote at the Annual Meeting?**

**A:** Only stockholders of record on \_\_\_\_\_, 2011 are entitled to notice of and to attend and/or vote at the Annual Meeting or any postponements or adjournments of the Annual Meeting. 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.



**Q: How can I vote my shares?**

**A:** You can vote your shares in one of two ways: either by proxy or in person at the Annual Meeting by written ballot. If you choose to vote by proxy, you may vote your shares by signing, dating and returning the enclosed **WHITE** proxy card. For your convenience, you may also vote your shares by telephone and Internet by following the instructions on the enclosed **WHITE** proxy card. Each of these procedures is explained below. Even if you plan to attend the Annual Meeting, the Board recommends that you submit a **WHITE** proxy card in advance by telephone, Internet or mail. In this way, your shares of common stock will be voted as directed by you even if you should become unable to attend the Annual Meeting.

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**Q: May I change my vote?**

**A:** Yes. You may change your vote or revoke your proxy at any time before it is exercised at the Annual Meeting by taking any of the following actions:

- by giving written notice to the Corporate Secretary of Commercial Metals Company at 6565 North MacArthur Boulevard, Suite 800, Irving, Texas 75039;
- by subsequently executing and delivering a new proxy; or
- by voting in person at the Annual Meeting.

If you have previously signed any proxy card sent to you by the Icahn Group, you may change your vote by signing, dating and returning the enclosed **WHITE** proxy card in the accompanying postage-paid envelope or by voting by telephone or via the Internet by following the instructions on your **WHITE** proxy card. Please note that submitting an Icahn Group proxy card even if you vote in protest against the Icahn nominees will revoke any votes you previously made via the Company's **WHITE** proxy card.

**Q: How many shares must be present to conduct the Annual Meeting?**

**A:** We must have a quorum to conduct the Annual Meeting. A quorum is a majority of the outstanding shares of common stock entitled to vote at the meeting, present in person or by proxy. Abstentions will be counted for the purpose of determining a quorum. On \_\_\_\_\_, 2011, the record date for determining stockholders entitled to vote at the Annual Meeting, we had outstanding \_\_\_\_\_ shares of our common stock, par value \$.01 per share, not including \_\_\_\_\_ treasury shares. We had no shares of preferred stock outstanding at \_\_\_\_\_, 2011.

**Q: How do I vote if I cannot attend the Annual Meeting in person?**

**A:** Because many stockholders cannot attend the Annual Meeting in person, it is necessary that a large number of stockholders be represented by proxy.

By signing, dating and returning the enclosed **WHITE** proxy card in the postage-paid envelope provided or by voting your shares by telephone or via the Internet by following the instructions on the enclosed **WHITE** proxy card, you will enable Joseph Alvarado, Barbara R. Smith and Ann J. Bruder, each of whom is named on the proxy card as a Proxy Holder, to vote your shares at the Annual Meeting in the manner you indicate on your proxy card. When you vote your proxy, you can specify whether your shares should be voted for each of the nominees for director identified in Proposal 1, or you can withhold your vote on the director nominees. You can also specify how you want your shares voted with respect to Proposals 2, 3, 4, 5, 6 and 7, which are described elsewhere in this proxy statement.

Management of the Company is not aware of any matters other than those described in this proxy statement that may be presented for action at the Annual Meeting. If any other matters are properly presented at the Annual Meeting for consideration, the proxy holders will have discretion to vote for you on those matters.

*Voting by Mail.* You can vote by mail by signing, dating and returning the enclosed **WHITE** proxy card in the postage-paid envelope provided.

*Voting via the Internet.* You can vote your shares via the Internet by following the instructions provided on the **WHITE** proxy card. The Internet voting procedures are designed to authenticate your identity and to allow you to vote your shares and confirm that your voting instructions have been properly recorded. Voting by Internet authorizes the named proxies to vote your shares in the same manner as if you had submitted a validly executed proxy card.

*Voting by Telephone.* You can vote your shares by telephone by following the instructions provided on the **WHITE** proxy card. The telephone voting procedures are designed to authenticate your identity and to allow you to vote your shares and confirm that your voting instructions have been properly recorded. Voting by telephone authorizes the named proxies to vote your shares in the same manner as if you had submitted a validly executed proxy card.



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### **Q: May I vote in person at the Annual Meeting?**

**A:** Yes, you may vote your shares at the Annual Meeting if you attend in person and use a written ballot. However, if your shares are held in the name of a broker, trust, bank or other nominee, you must bring a legal proxy or other proof from that broker, trust, bank or nominee granting you authority to vote your shares directly at the Annual Meeting. If you vote by proxy and also attend the Annual Meeting, you do not need to vote again at the Annual Meeting unless you wish to change your vote. Even if you plan to attend the Annual Meeting, we strongly urge you to vote in advance by proxy by signing, dating and returning the **WHITE** proxy card.

### **Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

**A:** If your shares are registered in your name with our transfer agent, Broadridge Corporate Issuers Solutions, Inc., you are the stockholder of record of those shares, and this proxy statement and any accompanying documents have been provided directly to you by the Company. In contrast, if you purchased your shares through a broker or other financial intermediary, the broker or other financial intermediary will be the stockholder of record of those shares.

Generally, when this occurs, the broker or other financial intermediary will automatically put your shares into street name, which means that the broker or other financial intermediary will hold your shares in its name or another nominee's name and not in your name, but will keep records showing you as the real or beneficial owner. If you hold shares beneficially in street name, this proxy statement and any accompanying documents have been forwarded to you by your broker, bank or other holder of record.

### **Q: What are broker non-votes?**

**A:** A broker non-vote occurs when a bank, broker or other fiduciary does not receive voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares. Broker non-votes are not counted as votes against a proposal or as abstentions, and will not be counted for purposes of determining the number of votes present in person or represented by proxy and entitled to vote with respect to a particular proposal or the number of votes cast on a particular proposal. As described below, brokers will not have discretion to vote on any of the proposals described in this proxy statement.

### **Q: Will my shares be voted if I do not provide instructions to my broker?**

**A:** If you are the beneficial owner of shares held in a street name by a broker, the broker, as the record holder of the shares, is required to vote those shares in accordance with your instructions. Under applicable New York Stock Exchange ( NYSE ) rules, if you hold your shares through a bank or broker and your broker delivers this proxy statement to you, but you do not give instructions to the broker, the broker does not have the discretion to vote on any proposal that is subject to a counter-solicitation. **THEREFORE, UNLESS YOU PROVIDE VOTING INSTRUCTIONS TO THE BROKER HOLDING SHARES ON YOUR BEHALF, THE BROKER WILL NOT HAVE DISCRETIONARY AUTHORITY TO VOTE YOUR SHARES ON ANY OF THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT.**

We strongly encourage you to vote your proxy or provide voting instructions to the broker so that your vote on these matters will be counted.

### **Q: What are the proposals and what is the required vote for each?**

**A:** Proposal 1: Election of Directors. The Company's second amended and restated bylaws provide for plurality voting for directors. As a result of the Icahn Group's proposal of a slate of directors, there are more directors nominated than positions available. Accordingly, this means that the three candidates receiving the highest number of FOR votes will be elected. A properly executed proxy card marked

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WITHHOLD with respect to the election of a director nominee will be counted for purposes of determining if there is a quorum at the Annual Meeting, but will not be considered to have been voted for or against the director nominee. An abstention or a broker non-vote on Proposal 1 will not have any effect on the election of directors and will not be counted in determining the number of votes cast.

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It will NOT help elect the nominees nominated by the Board if you sign and return proxies sent by the Icahn Group, even if you vote AGAINST or WITHHOLD on their directors using the Icahn Group proxy card. In fact, doing so will cancel any previous vote you may have cast in favor of the nominees on the Company's **WHITE** proxy card.

The only way to support your Board's nominees is to vote **FOR** the Board's nominees on the **WHITE** proxy card.

Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm. The affirmative vote of the holders of a majority of the shares having voting power that are present or represented at the Annual Meeting is required to adopt Proposal 2. An abstention on Proposal 2 will have the same effect as a vote against Proposal 2. A broker non-vote will not have any effect on Proposal 2 and will not be counted.

Proposal 3: Advisory Vote on Executive Compensation. Proposal 3 is being submitted to enable stockholders to approve, on an advisory basis, the compensation of the Company's named executive officers. The affirmative vote of the holders of a majority of the shares having voting power that are present or represented at the Annual Meeting is required to adopt Proposal 3. Abstentions will have the same effect as a vote against the proposal. Broker non-votes will have no effect on this proposal and will not be counted. Proposal 3 is an advisory vote only, and therefore it will not bind the Company or our Board. However, the Board and the Compensation Committee will consider the voting results as appropriate when making future decisions regarding executive compensation.

Proposal 4: Advisory Vote on the Frequency of Future Advisory Votes on Executive Compensation. Proposal 4 is being submitted to enable stockholders to express a preference as to whether future advisory votes on executive compensation should be held every year, every two years or every three years. Abstentions and broker non-votes will not be counted as expressing any preference. This vote is an advisory vote only, and therefore it will not bind the Company or our Board. However, the Board and the Compensation Committee will consider the voting results as appropriate when adopting a policy on the frequency of future say-on-pay votes. The option of one year, two years or three years that receives the highest number of votes cast by stockholders will be considered by the Board as the stockholders' recommendation as to the frequency of future say-on-pay votes. Nevertheless, the Board may decide that it is in the best interests of our stockholders and the Company to hold say-on-pay votes more or less frequently than the option approved by our stockholders.

Proposals 5, 6 and 7: Icahn Group Proposals. The affirmative vote of a majority of the shares having voting power that are present or represented at the Annual Meeting is required to approve Proposals 5, 6 and 7. An abstention on Proposal 5, 6 or 7 will have the same effect as a vote against the proposal. A broker non-vote will not have any effect on Proposals 5, 6 and 7 and will not be counted.

### **Q: What are the recommendations of the Board of Directors?**

**A:** The Board recommends that you vote:

**FOR** Proposal 1 the election of the three nominees for director nominated by the Board and named in this proxy statement;

**FOR** Proposal 2 the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending August 31, 2012;

**FOR** Proposal 3 the proposal to approve (on an advisory basis) the compensation of the Company's named executive officers;

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**FOR ONE YEAR** on Proposal 4 the proposal to approve (on an advisory basis) one year as the frequency of future advisory votes on the compensation of the Company's named executive officers; and

**AGAINST** Proposals 5, 6 and 7 all of the Icahn Group proposals.

**Q: What do I do if I receive more than one proxy card?**

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**A:** Many stockholders hold their shares in more than one account and may receive separate proxy cards or voting instructions forms for each of those accounts. To ensure that ALL of your shares are represented at the Meeting, we recommend that you **VOTE EVERY WHITE PROXY CARD YOU RECEIVE**.

Additionally, if the Icahn Group proceeds with its previously announced alternative nominations, you may receive proxy solicitation materials from the Icahn Group, including an opposition proxy statement and a proxy card. Your Board unanimously recommends you disregard any proxy card you receive from the Icahn Group.

If you have already voted using the Icahn Group's proxy card, you have every right to change your vote by executing the enclosed **WHITE** proxy card or by voting by telephone or via the Internet by following the instructions provided on the enclosed proxy card. Only the latest dated proxy you submit will be counted. If you vote against any Icahn Group nominee using the Icahn Group's proxy card, your vote will not be counted as a vote for the Board's nominees and will result in the revocation of any previous vote you may have cast on the Company's **WHITE** proxy card. **IF YOU WISH TO VOTE PURSUANT TO THE RECOMMENDATION OF THE BOARD, YOU SHOULD DISREGARD ANY PROXY CARD THAT YOU RECEIVE OTHER THAN THE WHITE PROXY CARD.**

**If you have any questions or need assistance voting, please call MacKenzie Partners, Inc., our proxy solicitor assisting us in connection with the Annual Meeting, toll-free at (800) 322-2885 or collect at (212) 929-5500.**

**Q: Who will count the votes?**

**A:** Votes will be counted by one or more independent inspectors of election appointed by the Company for the Annual Meeting.

**Q: What happens if the Annual Meeting is adjourned?**

**A:** If we adjourn the Annual Meeting we will conduct the same business at the later meeting and the Board can decide to set a new record date for determining stockholders entitled to vote at the adjourned meeting, or decide to only allow the stockholders entitled to vote at the original meeting to vote at the adjourned meeting. According to the Company's second amended and restated bylaws, when a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty days after the date for which the meeting was originally scheduled to take place, notice of the place, if any, date, and time of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board will fix a new record date for notice of such adjourned meeting and will give notice of the adjourned meeting to each stockholder entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

**Q: Whom can I contact if I have questions?**

**A:** If you have any questions about the Annual Meeting or how to vote your shares, please call MacKenzie Partners, Inc., toll-free at (800) 322-2885 or collect at (212) 929-5500.

**Q: Where can I find the voting results?**

**A:** We will report the voting results in a filing with the SEC on Form 8-K.





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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS  
AND MANAGEMENT**

On the basis of filings with the SEC and other information, we believe that based on 115,539,503 shares of our common stock being issued and outstanding as of November 18, 2011, the following persons, including groups of persons, beneficially owned more than five percent (5%) of our outstanding common stock:

| Name and Address  | Amount and<br>Nature of<br>Beneficial Ownership | Percent<br>of Class |
|---|---|---------------------|
| High River Limited Partnership(1)<br>c/o Icahn Capital LP<br><br>767 Fifth Avenue, 47 Floor<br><br>New York, NY 10153 | 11,525,000                                      | 9.97%               |
| BlackRock Inc.(2)<br>40 East 52nd Street<br><br>New York, NY 10022  | 7,645,194                                       | 6.62%               |
| FMR LLC(3)<br>82 Devonshire Street<br><br>Boston, Massachusetts 02109   | 6,470,871                                       | 5.60%               |
| AllianceBernstein LP(4)<br>1345 Avenue of the Americas<br><br>New York, NY 10105                                      | 5,902,877                                       | 5.11%               |

(1) Based on the information provided pursuant to Amendment No. 1 to Schedule 13D filed with the SEC on September 2, 2011 (the "Icahn Schedule 13D/A") by High River Limited Partnership, a Delaware limited partnership ("High River"), with respect to itself, the other members of the Icahn Group, Carl C. Icahn and certain other affiliated entities of Carl C. Icahn (collectively, the "Reporting Persons"). The Reporting Persons reported that (i) High River has sole voting and dispositive power with respect to 2,304,999 shares of common stock; (ii) Icahn Partners LP ("Icahn Partners") has sole voting and dispositive power with respect to 3,531,955 shares of common stock; (iii) Icahn Partners Master Fund LP ("Icahn Master") has sole voting and dispositive power with respect to 3,808,353 shares of common stock; (iv) Icahn Partners Master Fund II LP ("Icahn Master II") has sole voting and dispositive power with respect to 1,310,448 shares of common stock; and (v) Icahn Partners Master Fund III LP ("Icahn Master III") has sole voting and dispositive power with respect to 569,245 shares of common stock. Carl C. Icahn, by virtue of his relationship to High River, Icahn Partners, Icahn Master, Icahn Master II and Icahn Master III, is deemed to beneficially own the shares of common stock which High River, Icahn Partners, Icahn Master, Icahn Master II and Icahn Master III directly beneficially own. According to the Icahn Schedule 13D/A, each of the Reporting Persons may have shared voting and/or dispositive power over all or some of such shares.

(2) Based on the information provided pursuant to Amendment No. 1 to Schedule 13G filed with the SEC on February 3, 2011 (the "Blackrock Schedule 13G/A") by BlackRock Inc. ("BlackRock"). BlackRock reported that it has sole voting and dispositive power with respect to 7,645,194 shares of common stock. The BlackRock Schedule 13G/A states that various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the common stock and that no one person's interest in the common stock is more than five percent of the total outstanding common shares.

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- (3) Based on the information provided pursuant to Amendment No. 2 to Schedule 13G filed with the SEC on January 10, 2011 (the FMR Schedule 13G/A ) by FMR LLC and Edward C. Johnson 3d (collectively, FMR ). FMR reported that it has sole voting power with respect to 905,845 shares of common stock and sole dispositive power with respect to 6,470,871 shares of common stock. The FMR Schedule 13G/A states that various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the common stock and that no one person's interest in the common stock is more than five percent of the total outstanding common stock.
- (4) Based on the information provided pursuant to Amendment No. 1 to Schedule 13G filed with the SEC on August 10, 2011 (the AllianceBernstein Schedule 13G/A ) by AllianceBernstein LP ( AllianceBernstein ). AllianceBernstein reported that it has sole voting power with respect to 4,844,331 shares of common stock and sole dispositive power with respect to 5,902,877 shares of common stock.

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The following table sets forth information known to us about the beneficial ownership of our common stock by each director and nominee for director, our Chief Executive Officer (the CEO), our Chief Financial Officer (the CFO), the other executive officers included in the Summary Compensation Table, and all current directors and executive officers as a group based on 115,539,503 shares of our common stock being issued and outstanding as of November 18, 2011. 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<br>of Common<br>Stock | Option Shares<br>of Common<br>Stock(1) | Total Shares<br>of Common<br>Stock Beneficially<br>Owned | Percentage of<br>Common<br>Stock<br>Beneficially Owned |
|--|------------------------------------|--|--|--|
| Adams, Harold L  | 25,200                             | 35,000                                 | 60,200   | *  |
| Alvarado, Joseph   | 5,000                              |  | 5,000  | *  |
| Best, Rhys J   | 5,000                              | 21,000                                 | 26,000   | *  |
| Guido, Robert L  | 22,173                             | 28,000                                 | 50,173   | *  |
| Kelson, Richard B  | 1,000                              | 21,000                                 | 22,000   | *  |
| Larson, William B  | 298,527                            | 108,870                                | 407,397  | *  |
| Massaro, Anthony A   | 24,000                             | 35,000                                 | 59,000   | *  |
| McClellan, Murray R  | 177,777                            | 267,993                                | 445,770  | *  |
| Mills, Rick J.(2)  |                                    |  |  | *  |
| Neary, Robert D  | 38,000                             | 35,000                                 | 73,000   | *  |
| Porter, Tracy L  | 32,466                             | 38,180                                 | 70,646   | *  |
| Raiss, Sarah E   | 9,300                              | 7,000                                  | 16,300   | *  |
| Smith, Barbara R.  |                                    |  |  |  |
| Smith, J. David  | 35,762                             | 36,670                                 | 72,432   | *  |
| Womack, Robert R   | 96,683                             | 35,000                                 | 131,683  | *  |
| Zoellner, Hanns K  | 105,363                            | 113,151                                | 218,514  | *  |
| All current directors and executive officers as a group (19 persons) | 784,376                            | 858,143                                | 1,642,519  | 1.42%  |

\* Less than one percent

(1) Represents shares subject to options exercisable within 60 days of November 18, 2011.

(2) Rick J. Mills is joining the Board of Directors effective January 1, 2012.

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act), as amended, requires directors, executive officers and beneficial owners of more than ten percent (10%) of our common stock to file with the SEC 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 other forms were required from reporting persons, we believe that all such reports, except for a single Form 4 related to the vesting of a restricted stock unit award for Tracy L. Porter, were submitted on a timely basis during the fiscal year ended August 31, 2011.

#### PROPOSAL 1

##### ELECTION OF DIRECTORS

Our restated certificate of incorporation divides the Board into three classes. The term of office of the Class II directors expires at this Annual Meeting. In addition, on August 19, 2011, the Board, pursuant to applicable provisions of the Company's Restated Certificate of Incorporation and Second Amended and Restated Bylaws, voted to increase the size of the Board from ten persons to eleven persons, and appointed Joseph Alvarado to serve as a director of the Company, effective September 1, 2011. Mr. Alvarado was appointed to fill



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a newly created vacancy as a Class II director (increasing the size of Class II from three to four directors). At this Annual Meeting, Mr. Alvarado is being nominated for election as a director for the seat previously held by Mr. Robert D. Neary, who is a Class II director and who, as previously disclosed, is not a nominee for re-election due to his retirement at the Annual Meeting. In connection with the Annual Meeting, the vacancy in Class II previously filled by Mr. Alvarado is being eliminated, reducing the total size of the Board and the number of Class II directors by one. These actions will leave the full size of the Class II directors at three and the size of the full Board at ten.

Murray R. McClean has announced his intention to resign from the Board of Directors effective as of December 31, 2011. In connection with the Board's succession planning, the Nominating and Corporate Governance Committee initiated a search process to select director candidates to replace directors who will retire in the next two years, including Mr. McClean. The Nominating and Corporate Governance Committee engaged Russell Reynolds Associates to facilitate a search for director candidates and took into account many factors, including: requirements for independence; the individual's general understanding of the various disciplines relevant to the success of our Company as a large globally-operated, publicly-traded company in today's business environment; each candidate's understanding of the Company's businesses and the metals industry and markets; their professional expertise and educational background; the individual's ethics, integrity, values, inquisitive and objective perspectives, practical wisdom, judgment and availability; and other factors that promote diversity of thought, views and experience. Candidates were evaluated by a sub-committee of the Nominating and Corporate Governance Committee and were interviewed through a series of meetings with directors and executive management. Background reviews of each candidate were conducted by an independent professional agency specializing in the performance of such background reviews. The Nominating and Corporate Governance Committee evaluated each individual in the context of the Board as a whole, with the objective of recommending the director candidate that would be the most likely of the candidate slate to best achieve the success of the business and represent stockholder interests through the exercise of sound judgment. Mr. Rick J. Mills was selected from a slate of qualified candidates for election to our Board. The Nominating and Corporate Governance Committee recommended Mr. Mills to the Board, and the Board appointed Mr. Mills as a director effective as of January 1, 2012 to fill the Class III seat to be vacated by Mr. McClean.

There are three Class II nominees standing for election at the Annual Meeting. The term of the three Class III directors ends at the 2013 annual meeting of stockholders, and the term of the four Class I directors ends at the 2014 annual meeting of stockholders. Proxies cannot be voted for the election of more than three persons to the Board at the Annual Meeting.

Each nominee named in this proxy statement 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, designated by our Board to replace such nominee. However, the Company has no reason to believe that any nominee will be unavailable. All of the director nominees, as well as the continuing directors, plan to attend this year's Annual Meeting. At the 2011 annual meeting, all of our current directors were in attendance. The following tables set forth information about the nominees and the continuing directors.

**Table of Contents****DIRECTOR NOMINEES**

| Name, Principal                           |            | Served as<br>Director<br>Since |
|---|------------|--------------------------------|
| <b>Occupation and Other Information</b>   | <b>Age</b> |                                |
| <i>Class II Term to Expire in 2015</i>    |            |                                |
| <b>Harold L. Adams</b>                    | 72         | 2004                           |
| Chairman Emeritus of RTKL Associates Inc. |            |                                |

*Business Experience:* Mr. Adams serves as Chairman Emeritus of RTKL Associates Inc., a global design firm, a position he has held since April 2003. Prior thereto, he served for 36 years as Chairman, President and Chief Executive Officer of RTKL Associates Inc.

*Other Boards:* Director of Legg Mason, Inc., Lincoln Electric Holdings, Inc. and Dewberry Inc., a private engineering company; Named a Distinguished Alumnus of Texas A&M University in 2011 and an Outstanding Alumni of Texas A&M College of Architecture in 1998.

*Qualifications:* Mr. Adams has accumulated broad experience in managerial and leadership matters in over 36 years of service as Chairman, President and Chief Executive Officer of an international architecture firm. Mr. Adams brings to the Board extensive knowledge of the construction industry, having served as Chairman of The Design-Build Institute of America and as a member of the National Academy of Construction. His service on the Board of Directors of other publicly traded companies provides our Board with additional perspective on the Company's operations and in the areas of management, operations and strategy. In addition, Mr. Adams has served as a leader on U.S. business advisory councils with Korea and China and the Services Policy Advisory Board to the U.S. Trade Negotiator and is Chairman of the Governor's International Advisory Council for the State of Maryland. In these roles, Mr. Adams worked in many major international markets in a myriad of economic climates and cultures.

|  |    |      |
|--|----|------|
| <b>Joseph Alvarado</b>                         | 59 | 2011 |
| President and CEO of Commercial Metals Company |    |      |

*Business Experience:* Mr. Alvarado joined the Company in April 2010 as Executive Vice President and Chief Operating Officer. He was named President and Chief Operating Officer on April 6, 2011, and in June 2011, he was appointed President and CEO effective September 1, 2011. He was appointed to our Board on September 1, 2011. Prior to joining Commercial Metals Company, Mr. Alvarado served as President and Chief Operating Officer at Dallas, Texas-based Lone Star Technologies, Inc., a company engaged in producing and marketing casing, tubing, line pipe and couplings for the oil and gas, industrial, automotive and power generation industries from 2004 through 2007. He held such positions until United States Steel Corporation, a steel manufacturer, named him President of U.S. Steel Tubular Products in June 2007 after completing its acquisition of Lone Star Technologies, Inc. and its related companies, a position he held until March 2009. Mr. Alvarado began his career in steelmaking at Inland Steel Company in 1976, serving in positions in the finance and sales departments before being promoted to strategic planning manager in 1985, plate production manager in 1986 and automotive marketing and international development manager in 1987. He was appointed Vice President and General Manager of Sales and Marketing for Inland Bar Company in 1988, and he was promoted to President in 1995. Subsequently, Mr. Alvarado served as Executive Vice President-Commercial at Birmingham Steel Company from 1997 to 1998. In 1998, Mr. Alvarado joined Ispat North America Inc. as Vice President-Long Products Sales and Marketing, where he served until joining Lone Star Technologies in 2004. On July 7, 2011, Joseph Alvarado was appointed to the Board of Directors of Spectra Energy Corp.

*Other Boards:* Director of Spectra Energy Corp; Board member of the Petroleum Equipment Suppliers Association and the American Petroleum Industry; Member of the Independent Petroleum Association of America; Former board member of The Metal Service Center Institute.





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| <b>Name, Principal</b>  | <b>Served as<br/>Director<br/>Since</b> |
|---|---|
| <b>Occupation and Other Information</b>   |   |
| <i>Qualifications:</i> Mr. Alvarado has extensive experience in the metals, trading and manufacturing industries, which provides him with a keen understanding of the Company's industry and customer and consumer dynamics. Mr. Alvarado's vast experience in the steel industry has provided him with valuable knowledge of accounting, sales, manufacturing, planning and operations, all of which are relevant to his leadership of the Company and his service on the Board. His experience in domestic and global, integrated and minimill, and flat and long products further qualify him to lead the Company and serve on our Board. His service as our President and CEO as well as a Director provides the Board with significant perspective on our global operations. His in-depth knowledge of the Company's strategic priorities and operations enable him to provide valuable contributions and facilitate effective communication between management and the Board. His role as President and CEO also enables him to provide important contributions to strengthening the Company's leadership, operations, strategy, growth and long-range plans. |   |
| <b>Anthony A. Massaro</b>   | 67                                      |
| Retired Former Chairman, President and Chief Executive Officer of Lincoln Electric Holdings, Inc.   | 1999                                    |

*Business Experience:* Mr. Massaro served as President and Chief Executive Officer of Lincoln Electric Holdings, Inc., a manufacturer of welding and cutting equipment, from 1996 to January 2005, and as Chairman from May 1997 to October 2005. Prior to becoming Chief Executive Officer of Lincoln Electric, he served as President and Chief Operating Officer and also as President of both Lincoln Europe and Lincoln International. Prior to joining Lincoln Electric in 1993, Mr. Massaro served as a Group President of Westinghouse Electric Corporation, which he joined in 1967. Prior to his service as a Group President, he served as Westinghouse's Executive Vice President for the Industrials and Environmental Group and held a series of engineering and management positions in Westinghouse's nuclear, international and automation divisions.

*Other Boards:* Director of PNC Financial Services Group, Inc.; Former Director of Thomas Industries; Recipient of University of Pittsburgh School of Engineering Alumni of the Year Award in 2009; Recipient of The Ellis Island Medal of Honor in 1998.

*Qualifications:* Mr. Massaro has broad experience in leading a significant industrial enterprise, particularly with respect to international operations and business management. His service as the Chairman, President and Chief Executive Officer of Lincoln Electric Holdings, Inc. provides the Board with strong global business acumen and financial and strategic planning expertise. His strong international background provides our Board with additional perspective on corporate strategy and opportunities for current and future international operations. In addition, his public company directorship service provides our Board with experience in the areas of management, operations and strategy and provides additional perspective on the Company's operations.

**Table of Contents****DIRECTORS CONTINUING IN OFFICE**

| <b>Name, Principal</b>   | <b>Served as</b>      |
|--|-----------------------|
| <b>Occupation and Other Information</b>  | <b>Director</b>       |
| <i>Class III Term to Expire in 2013</i>  | <b>Since</b>          |
| <b>Age</b>   | <b>Age</b>            |
| <p><b>Rhys J. Best</b></p> <p>Engaged in private investments and Managing Partner of SEREN Holdings LTD, a Texas limited partnership primarily involved in investments</p> <p><i>Business Experience:</i> Mr. Best has been engaged in private investments since June 2007. From 1999 until June 2004, Mr. Best served as Chairman of the Board of Directors, President and CEO of Lone Star Technologies, Inc., a company engaged in producing and marketing casing, tubing, line pipe and couplings for the oil and gas, industrial, automotive and power generation industries until its acquisition by United States Steel Corporation in June 2007, and from June 2004 to June 2007, Mr. Best served as Chairman of the Board of Directors and CEO of Lone Star Technologies, Inc.</p> <p><i>Other Boards:</i> Chairman of Crosstex Energy, L.P.; Director of Trinity Industries, Inc., Cabot Oil &amp; Gas Corporation, McJunkin Red Man Corporation and Austin Industries, Inc.; Former Chairman of Lone Star Technologies, Inc.; Serves on Southern Methodist University's Maguire Energy Institute Board and the University of North Texas College of Business Advisory Board.</p> <p><i>Qualifications:</i> Mr. Best brings to the Board chief executive leadership and business management experience, as well as strong business acumen and financial and strategic planning expertise. His service on the Boards of Directors of other publicly traded companies provides our Board with a broad perspective and experience in the areas of management, operations and strategy, as well as additional perspective on the Company's operations, including its international operations and steel manufacturing.</p> | <p>65</p> <p>2010</p> |
| <p><b>Richard B. Kelson</b></p> <p>Chairman, President and CEO of ServCo, LLC</p> <p><i>Business Experience:</i> Mr. Kelson has been the Chairman, President and CEO of ServCo, LLC, a strategic sourcing company, since July 2009. Mr. Kelson was an operating advisor of Pegasus Capital, a private equity investment firm, from September 2006 to March 2010. Prior thereto, Mr. Kelson was with Alcoa, Inc., a producer of primary aluminum, fabricated aluminum and alumina, from 1974 to August 2006. At Alcoa, he served as Chairman's Counsel from January 2006 to August 2006 and as Executive Vice President and Chief Financial Officer from 1997 to December 2005. Prior to that, he served as Alcoa's Executive Vice President - Environment, Health and Safety and General Counsel, and as a member of Alcoa's Executive Council, which is the senior leadership group that provides strategic direction for the company.</p> <p><i>Other Boards:</i> Chairman of ServCo, LLC; Director of MeadWestvaco Corporation, PNC Financial Services Group, Inc. and Ecovative Design LLC, a small private company; Former Director of Lighting Science Group Corporation; Serves on University of Pittsburgh Law School Board of Visitors; Chairperson of non-profit KaBOOM, Inc.; Former member of Board of Trustees at Carnegie Mellon University.</p>   | <p>65</p> <p>2010</p> |

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*Qualifications:* Mr. Kelson brings significant financial and business knowledge and leadership experience to our Board. His past service as an operating advisor provides the Board with valuable contributions in the areas of mergers and acquisitions, capital deployment and other major financial decisions. His service as a leader of a global integrated aluminum manufacturer provides additional perspective on the Company's global industrial and manufacturing operations. His service on the Boards of Directors of other publicly traded companies provides our Board with a broad perspective and experience in the areas of management, operations and strategy.

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| Name, Principal  | Age | Served as Director Since |
|--|-----|--------------------------|
| <b>Occupation and Other Information</b>  |     |                          |
| <b>Rick J. Mills</b>   | 64  | n/a(1)                   |
| Retired Former Corporate Vice-President and President of Components Group of Cummins, Inc. |     |                          |

*Business Experience:* Mr. Mills served as the Corporate Vice-President and President of Components Group of Cummins, Inc., from 2005 to 2008. Prior thereto, Mr. Mills served as Vice-President and Group President of Filtration from 2000 to 2005 and as Corporate Controller from 1996 to 2000, both at Cummins, Inc. Mr. Mills spent over 37 years with Cummins, serving in a variety of financial roles before being named Vice President and General Manager of Atlas Inc., a former Cummins business that manufactured engine components, in 1988. He went on to serve as President of Atlas from 1990 to 1993 and then as Vice President of the Pacific Rim and Latin America operations for Cummins Filtration (formerly Fleetguard Inc.) before being named Corporate Controller in 1996. Prior to re-joining Cummins, Mr. Mills worked in the financial department at General Motors Pontiac Motor Division from 1976 to 1977. Prior to that time, Mr. Mills served in a variety of roles at Cummins.

*Other Boards:* Director of Flowserve Corporation; Former Director of Gerdau Ameristeel and Rohm and Haas Company.

*Qualifications:* Mr. Mills brings to the Board significant leadership, operational and strategic experience gained in his 37 years at Cummins, Inc. in a variety of financial, managerial and executive positions. Mr. Mills has significant international experience from his leadership roles of the Pacific Rim and Latin America operations at Cummins, which provides the Board valuable insight into the Company's international operations and strategy. In addition, Mr. Mills' experience as a director of an international manufacturer and an international steel producer and recycler brings valuable corporate leadership and strategy development knowledge to the Board.

**Class I Term to Expire in 2014**

|  |    |      |
|--|----|------|
| <b>Robert L. Guido</b>   | 65 | 2007 |
| Retired Former Vice Chair and Chief Executive Officer of Ernst & Young's Assurance and Advisory Practice |    |      |

*Business Experience:* During Mr. Guido's 38-year career with Ernst & Young, most recently serving as Vice Chair and Chief Executive Officer of Ernst & Young's Assurance and Advisory Practice, he worked with clients in many industries, from privately held companies to some of the firm's largest global companies. In addition to client facing roles, he co-chaired the firm's Global Client Steering Committee, which was comprised of the firm's most senior partners who work with global clients, and served as the Vice-Chair of the audit practice and the Regional Partner in charge of human resources.

*Other Boards:* Director of Bally Technologies, Inc.; Director of North Highland Consulting, a privately held company based in Atlanta, Georgia and engaged in management consulting services; Serves on the non-profit board of Siena College; Appointed to serve a three-year term commencing January 1, 2012 on the Public Company Accounting Oversight Board's (PCAOB) Standing Advisory Group, which provides the PCAOB with input on its standard-setting process.

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*Qualifications:* Mr. Guido brings to the Board a significant level of financial and accounting expertise, as well as extensive experience in mergers and acquisitions, which he developed throughout his 38-year career at Ernst & Young. His service at Ernst & Young as a senior advisory and engagement partner to numerous global companies provides him with an in-depth understanding of the range of issues facing global companies. Mr. Guido is experienced at engaging senior management and boards in discussions encompassing key business issues such as strategy, financing alternatives, acquisitions, restructuring and personnel matters. He also brings to the Board important knowledge of and experience with the SEC and PCAOB from his prior dealings with these agencies as a public accountant. Mr. Guido has a valuable background

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| <b>Name, Principal</b>   | <b>Age</b> | <b>Served as<br/>Director<br/>Since</b> |
|--|------------|---|
| <p><b>Occupation and Other Information</b><br/>in corporate governance, audit committee best practices and enterprise risk management based on his experiences as a public accountant, guest lecturer and author on enterprise risk management.</p> <p><b>Sarah E. Raiss</b><br/>Retired Former Executive Vice President Corporate Services, TransCanada Corporation, Calgary, Alberta, Canada</p> | 54         | 2011                                    |

*Business Experience:* Ms. Raiss was employed by TransCanada Corporation, a North American energy infrastructure company, from 1999 to 2011, most recently serving as Executive Vice President, Corporate Services, from 2002 to 2011 and as Executive Vice President, Human Resources and Public Sector Relations, from 2000 to 2002. Prior to her employment with TransCanada, Ms. Raiss served in various engineering, operations, strategic planning and marketing positions in the telecommunications industry at Ameritech Corporation and its subsidiary, Michigan Bell.

*Other Boards:* Director of Shoppers Drug Mart, Business Development Bank of Canada and Calgary Petroleum Club; Calgary Chapter Chair of the Institute of Corporate Directors (Canada); Former service on the Advisory Committee on Senior Level Retention and Compensation for the Treasury Board of Canada (2001-2010), Harvard University's John F Kennedy School of Government Women's Leadership Board (2006-2009), Alberta Children's Hospital Foundation Board of Directors (2003-2006), the Management Associates Council at the University of Calgary (2002-2006), the Energy, Chemicals and Plastics Sectoral Advisory Group on International Trade (SAGIT) for the Canadian Government (2003-2004), the United Way of Calgary and Area Board (2003-2004) and Cabinet (1999-2003), the Energy Council of Canada (2002-2003), the Alumni Board of Governors for the University of Michigan Business School (1995-2001) and the Operating Board and Finance Committee for Glenkirk (1995-1997); Former Director of MicroPlanet Technologies Corporation, a TSX Venture Exchange Company, at which Ms. Raiss assisted in establishing a governance framework as it became publicly traded (2005-2006).

*Qualifications:* Ms. Raiss brings to our Board strong business acumen and business management experience, as well as functional expertise in strategic planning, merger integration, human resources and corporate governance, all gained through her management and board experiences at significant industrial enterprises. Her service as Executive Vice President, Corporate Services of TransCanada Corporation and Director of Shoppers Drug Mart provide our Board with additional perspective on corporate strategy and opportunities for current and future operations. In addition, Ms. Raiss has received an Institute of Corporate Directors professional designation and has completed courses at Harvard on Making Boards More Effective and at University of Pennsylvania's Wharton School of Business on Creating Value Through Finance.

|  |    |      |
|--|----|------|
| <p><b>J. David Smith</b><br/>Retired Former Chairman, President and Chief Executive Officer, Euramax International, Inc.; Currently serving as Interim Chief Executive Officer of Nortek, Inc.</p> | 62 | 2004 |
|--|----|------|

*Business Experience:* Mr. Smith served as Chairman, President and Chief Executive Officer of Euramax International, Inc., an international producer of aluminum, steel, vinyl, copper and fiberglass products for construction and transportation markets, from 1996 to 2008. Prior thereto, he served as President of Alumax Fabricated Products, Inc. from 1989 to 1996, and held numerous senior operating roles in its predecessor companies from 1972 to 1989.

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*Other Boards:* Director of Nortek, Inc. and Houghton International Inc.; Chairman of Siamons International, Inc.; Serves on the boards of the Summit Counseling Center and The Atlanta Athletic Club, both in Johns Creek, Georgia.

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| Name, Principal  | Age | Served as<br>Director<br>Since |
|--|-----|--------------------------------|
| <b>Occupation and Other Information</b>  |     |                                |
| <i>Qualifications:</i> Mr. Smith brings to our Board managerial and operational expertise gained through his broad experience in managing and leading a significant industrial and manufacturing enterprise. His service as the Chairman, President and Chief Executive Officer of Euramax International, Inc. provides our Board with additional international and strategic perspectives. Mr. Smith's current interim leadership position at Nortek, as well as his service on Nortek's board, have provided him with valuable management, governance and leadership experience that he brings to our Board. In addition, his service on several boards of international companies provides him with international experience and enables him to make valuable contributions to our international growth strategies. |     |                                |
| <b>Robert R. Womack</b>  | 74  | 1999                           |
| Retired Former Chairman and Chief Executive Officer, Zurn Industries, Inc. and Chief Executive of U.S. Industries Bath and Plumbing Products Group   |     |                                |

*Business Experience:* Mr. Womack served as Chairman and Chief Executive Officer of Zurn Industries, Inc., a manufacturer of plumbing products and accessories, from 1994 to 2000 and as Chief Executive of U.S. Industries Bath and Plumbing Products Group, also a manufacturer of plumbing products and accessories, from 1998 to 2000. Prior thereto, he served as Vice Chairman and CEO of Imo Industries, a manufacturer of a broad range of pumps, turbines, condensers, aviation components, optical systems and night vision equipment, from 1990 to 1993, and as President of Ranco, a manufacturer of control products for the appliance, commercial heating and air conditioning and automotive markets, from 1982 to 1990. Mr. Womack served as a Partner at McKinsey & Company, an international management consulting firm specializing in advising clients in areas of strategy, organization and capital investments, from 1970 to 1982. From 1959 to 1970, Mr. Womack served as Program Manager Advanced Missiles Systems at McDonnell Douglas.

*Other Boards:* Former Chairman of Zurn Industries and Precision Partners, a manufacturing outsourcing company servicing automotive and power systems; Former Director of U.S. Industries, Imo Industries, Jacuzzi Brands, Inc., Covanta Energy, Ogden Corporation and Ranco; Served on the Supervisory Board of Gestra, AG (Germany) and on the Board of Directors of Ranco Japan (Japan); Served on the Board of Trustees of Gannon University and on the Council of Fellows of Penn State Behrend.

*Qualifications:* Mr. Womack's brings to our Board chief executive leadership and business management experience, as well as strong business acumen and financial and strategic planning expertise, all gained through his broad experience in managing and leading significant industrial enterprises. His service as the Chairman and Chief Executive Officer of Zurn Industries, Inc. and Chief Executive of U.S. Industries Bath and Plumbing Products Group provides our Board with additional perspective on the Company's industrial operations.

(1) Rick J. Mills is joining the Board of Directors effective as of January 1, 2012 to fill the vacancy created by Mr. McClean's retirement. The Board has determined that no person age 75 or older will be nominated as a candidate for a director position. A director who attains age 75 after the date of his or her election by our stockholders must submit his or her resignation effective as of the annual meeting of stockholders following his or her 75th birthday, with the exception of Mr. Neary, who was granted an exception to this policy to allow for adequate transition of the position of Chairman of the Audit Committee to Mr. Guido, who became the Chairman of the Audit Committee in January 2011. Mr. Neary is retiring as of this Annual Meeting.

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





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**Vote Required**

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

**The Board recommends a vote FOR the election of the nominees for director named above: Harold L. Adams, Joseph Alvarado and Anthony A. Massaro.**

**The Icahn Group Nominees Conflicts Raise Serious Concerns**

The Icahn Group has stated its intention to propose three director nominees for election at the Annual Meeting. The Board believes that the Icahn Group nominees offer substantially less experience and expertise in the metals industry than the Board's slate of independent directors and the Company's new President and CEO. The Board also believes the Icahn Group nominees are burdened by fundamental and significant conflicts of interest. Specifically, Mr. Icahn has a controlling interest in PSC Metals, Inc., which competes with the Company in the business of collecting, processing and selling ferrous and non-ferrous scrap metals in various geographic markets. Mr. Icahn's nominees for the Company's board are long-time associates of Mr. Icahn and are currently or have been recently employed by Mr. Icahn and sit (or have sat) on the boards of other companies as designees of Mr. Icahn. The Board believes their close affiliations with Mr. Icahn compromise the ability of the Icahn Group nominees to serve as independent directors of the Company and to act in the best interests of all stockholders. Because Mr. Icahn controls a competitor in our industry and we believe controls these nominees, the Board believes that the election of Mr. Icahn's nominees would violate Section 8 of the Clayton Act, 15 U.S.C. § 19. Section 8 of the Clayton Act prohibits individuals from simultaneously serving (whether personally or through their agents) on the boards of directors of competing corporations. Mr. Icahn and his agents already control the board of directors of PSC Metals, Inc. If Mr. Icahn's nominees to the Board are elected, then agents of Mr. Icahn would be serving on the boards of two competitors, PSC Metals, Inc. and the Company, in violation of the Clayton Act.

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**CORPORATE GOVERNANCE; BOARD AND COMMITTEE MATTERS**

*Director Independence.* Our Board of Directors has determined, after considering all the relevant facts and circumstances, that Ms. Raiss and Messrs. Adams, Best, Guido, Kelson, Massaro, Mills, Neary, Smith and Womack are independent, as independence is defined by the listing standards of the NYSE, because they have no direct or indirect material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us) that would cause the independence requirements of the NYSE listing standards to not be satisfied.

*Board Leadership Structure.* Currently, Mr. McClean serves as the Chairman of the Board and Mr. Alvarado is the President and CEO. Mr. McClean has announced his retirement effective as of December 31, 2011. Following Mr. McClean's retirement, our Lead Director will assume the position of Chairman of the Board. Our Lead Director is currently Mr. Massaro. While no single leadership model is right for all companies at all times, the Board's view is that separating the roles of Chairman and CEO is in the best interest of stockholders at this time. However, the Board periodically reviews its leadership structure in order to determine whether it is functioning effectively and recognizes that, depending on the circumstances, other leadership models might be appropriate.

*Lead Director.* When considered appropriate, our corporate governance guidelines permit the designation of a Lead Director by the majority vote of independent directors for a two-year term. The responsibilities of the Lead Director include (i) convening and presiding over executive sessions attended only by independent or independent and non-employee directors, (ii) communicating to the CEO the substance of discussions held during those sessions to the extent requested by the participants, (iii) serving as a liaison between the Chairman of the Board and the Board's independent directors on sensitive issues, (iv) consulting with the Chairman of the Board on meeting schedules and agendas in order to assure that sufficient time is available for discussion of agenda items, (v) consulting with the Chairman of the Board regarding materials to be sent to the Board, including the format and adequacy of information, (vi) consulting with the Chairman of the Board to assure the effectiveness of the Board meeting process and (vii) presiding at meetings of the Board in the event of the Chairman of the Board's unavailability. The Lead Director is also available to receive direct communications from stockholders through Board approved procedures and may periodically, as directed by the Board, be asked to speak for the Company or perform other responsibilities. In January 2011, Mr. Massaro was appointed as the Lead Director for a term to expire as of the date of the Annual Meeting in 2013. In light of Mr. McClean's resignation from the Board effective December 31, 2011, Mr. Massaro will serve as our independent non-executive Chairman of the Board effective January 1, 2012.

*Board Role in Risk Oversight.* Management has responsibility for managing overall risk to the enterprise. Our Board assesses the enterprise-level risks that face the Company from a strategic point of view and reviews options for risk mitigation. The responsibility to review and assess such risk exposure includes reviewing regulatory, safety, environmental and financial matters, contingent liabilities, and other risks which may be material to the Company, as well as the activities of management in identifying, assessing and mitigating against business, commercial, regulatory, operational, financial and other risks associated with the Company's products and services. The President and CEO periodically reports to the Board on his and management's assessment of risks impacting the Company. The Audit Committee, discussed below, has the responsibility to review the Company's major financial reporting risks or exposures and to assess the steps taken by management to monitor and control such risks and exposures. The Audit Committee's review of these risks and exposures include, but are not limited to: (i) insurance; (ii) any special-purpose entities, complex financing transactions and related off-balance sheet accounting matters; and (iii) legal matters that may significantly impact the Company's financial statements or risk management. In addition, the Finance Committee provides ongoing guidance and oversight of transactions involving financing, investments, and merger and acquisition activity. Both of these committees provide the Compensation Committee with a perspective on the relationship between compensation and risk, which the Compensation Committee uses in its evaluation of management compensation.

*Corporate Governance Guidelines and Code of Ethics.* Our Board has adopted corporate governance guidelines. Our Corporate Governance Guidelines reflect the principles by which we operate. From time to time, the Nominating and Corporate Governance Committee and the Board review and revise our Corporate Governance Guidelines in response to regulatory requirements and evolving best practices. We have also adopted

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a Code of Conduct and Business Ethics (the Code of Conduct ), which applies to all of our directors, officers and employees. In addition, we have adopted a separate Financial Code of Ethics which is applicable to our CEO, CFO, Corporate Controller and any other officer who may function as a Chief Accounting Officer. We intend to post any amendments to or waivers from our Financial Code of Ethics and our Code of Conduct on our website to the extent applicable to our CEO, CFO, Corporate Controller, and any other officer who may function as a Chief Accounting Officer or a director. Our Corporate Governance Guidelines, the Code of Conduct, the Financial Code of Ethics and other information are available at our website, [www.cmc.com](http://www.cmc.com), and such information is available in print to any stockholder without charge, upon request to Commercial Metals Company, 6565 North MacArthur Blvd., Suite 800, Irving, Texas 75039, Attention: Corporate Secretary, or by calling (214) 689-4300.

*Stockholder Communications.* Interested parties may communicate with the Lead Director or non-executive Chairman, as the case may be, or any of the non-employee and independent directors by submitting a letter addressed to their individual attention or to the attention of non-employee directors c/o Corporate Secretary at P.O. Box 1046, Dallas, Texas 75221.

*Meetings of the Board.* During the fiscal year ended August 31, 2011, the entire Board met eleven times, of which ten were regularly scheduled meetings and one was a special meeting. All directors attended at least seventy-five percent (75%) or more of the meetings of the Board and of the committees on which they served. We expect all directors and nominees to attend the Annual Meeting. All directors attended the 2011 annual meeting.

*Executive Sessions.* As required by the NYSE listing standards, non-employee 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. In fiscal year 2011, all of the non-employee members of the Board, which includes all members of the Board other than Mr. McClean and Mr. Alvarado, held four non-employee director meetings in connection with Board of Director meetings and one stand alone meeting.

## **Board Committees**

We have four standing board committees, Audit, Compensation, Nominating and Corporate Governance and Finance. Membership of each of these committees is comprised entirely of independent directors. The Board has adopted charters for each of these committees describing the authority and responsibilities delegated to each committee by the Board. All committee charters are available at our website, [www.cmc.com](http://www.cmc.com), and available in print to any stockholder without charge, upon request to Commercial Metals Company, 6565 North MacArthur Blvd., Suite 800, Irving, Texas 75039, Attention: Corporate Secretary, or by calling (214) 689-4300.

*Audit Committee.* The Board has a standing Audit Committee that performs the activities more fully described in the Audit Committee Report on page 62. The members of the Audit Committee during fiscal year 2011 were Ms. Raiss and Messrs. Adams, Guido, Massaro, Neary and Smith. Mr. Guido is Chairman of the Audit Committee. During the fiscal year ended August 31, 2011, the Audit Committee met eight times. Effective as of November 7, 2011, Messrs. Adams, Guido, Massaro and Womack were appointed to the Audit Committee, with Mr. Guido continuing as Chairman of the Audit Committee.

*Compensation Committee.* The Board has a standing Compensation Committee that is responsible for the matters described in the Compensation Committee s charter, including (i) annually reviewing and approving corporate goals and objectives relevant to the compensation of the CEO and the other executive officers, (ii) evaluating the performance of the CEO and the other executive officers in light of those goals and objectives and (iii) determining and approving the CEO s compensation based on this evaluation as well as setting the compensation of the other executive officers following a review with the CEO of the CEO s evaluation, recommendations and decisions as to the performance and compensation of the other executive officers. Additional responsibilities of the Compensation Committee are (i) to assist the Board in the discharge of its responsibilities relating to the establishment, administration and monitoring of fair and competitive compensation

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and benefits programs for our executive officers and other executives, (ii) to make recommendations to the Board with respect to incentive compensation plans, equity based plans and other compensation and benefits programs that are subject to Board approval, (iii) to administer the Company's incentive compensation, stock option and other equity based plans, including approving option guidelines and grants, making, modifying, substituting or canceling grants, designating participants, interpreting the plans and programs, determining plan and program rule and regulations, and imposing limitations, restrictions and conditions upon any award, (iv) to review and make recommendations to the Board regarding any employment, severance, change in control or separation agreement, or any deferred compensation arrangement, to be entered into with any executive officer, (v) to review and discuss with management the Compensation Discussion and Analysis ( CD&A ) included in the proxy statement and, based on such review and discussion, recommend to the Board that such CD&A be included in the annual report on Form 10-K and the proxy statement, (vi) to prepare the Compensation Committee Report for inclusion in the proxy statement, (vii) to conduct a Compensation Committee self-assessment annually and (viii) to annually review the Compensation Committee's charter. Messrs. Best, Guido, Kelson, Massaro, Smith and Womack served as members of the Compensation Committee during fiscal year 2011. Mr. Smith is Chairman of the Compensation Committee. The Compensation Committee met six times during the fiscal year ended August 31, 2011. Effective as of November 7, 2011, Ms. Raiss and Messrs. Best, Kelson and Smith were appointed to the Compensation Committee, with Mr. Smith continuing as Chairman of the Compensation Committee. For a further discussion of the Compensation Committee's role in executive officer compensation, the role of executive officers in determining or recommending the amount or form of executive compensation and the Compensation Committee's engagement and use of independent third-party compensation consultants, please see the Compensation Discussion and Analysis section of this proxy statement.

*Nominating and Corporate Governance Committee.* The Board has a standing Nominating and Corporate Governance Committee that is responsible for the matters described in the Nominating and Corporate Governance Committee's charter including, (i) identifying and making recommendations as to individuals qualified to be nominated for election to the Board and Board committees, (ii) monitoring developments in corporate governance matters and overseeing compliance with statutes, rules and regulations relating thereto, including reviewing, assessing and making recommendations to the Board with respect to our corporate governance guidelines, (iii) overseeing and recommending compensation of non-employee directors, (iv) overseeing the annual self-evaluation of the performance of the Board and management, (v) reviewing management succession planning, including reviewing and considering candidates for executive officer succession, and (vi) other corporate governance matters. During fiscal year 2011, the Nominating and Corporate Governance Committee consisted of Ms. Raiss and Messrs. Adams, Best, Guido, Kelson, Massaro, Neary, Smith and Womack. Mr. Kelson is Chairman of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee met four times during the fiscal year ended August 31, 2011. Effective as of November 7, 2011, Ms. Raiss and Messrs. Guido, Kelson and Massaro were appointed to the Nominating and Corporate Governance Committee, with Mr. Kelson continuing as Chairman of the Nominating and Corporate Governance Committee.

*Finance Committee.* The Board has established a standing Finance Committee that is responsible for the matters described in the Finance Committee's charter, including reviewing and making recommendations to the Board with respect to (i) potential strategic transactions including mergers, acquisitions, divestitures, joint ventures and other investments and proposed major capital expenditures along with reviewing the performance of the forgoing, (ii) our cash position, capital structure and strategies, financing strategies, debt arrangements and insurance coverage matters, (iii) our dividend policy, stock splits and stock repurchases and debt arrangements, (iv) the issuances, as appropriate, of debt or equity securities and (v) the adequacy of the funding of our funded retirement plans and welfare benefits plans (other than those plans maintained pursuant to a collective agreement that names a joint administrative board as the governing plan fiduciary) in terms of our corporate purposes and objectives. The Finance Committee also conducts annually an evaluation of its own performance and, in light of this, considers changes in the membership, charter or procedures of the committee. During fiscal year 2011, the Finance Committee consisted of Messrs. Adams, Best, Kelson, Neary and Womack. Mr. Best is Chairman of the Finance Committee. The Finance Committee met seven times during the fiscal year ended August 31, 2011. Effective as of November 7, 2011, Messrs. Adams, Best, Smith and Womack were appointed to the Finance Committee, with Mr. Best continuing as Chairman of the Finance Committee.

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*Selection of Nominees for Election to the Board.* The Nominating and Corporate Governance Committee has established a process for identifying and evaluating nominees for directors. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of stockholders. Director candidates must also have an inquisitive and objective perspective, practical wisdom and mature judgment. In addition to considering these qualifications, the Nominating and Corporate Governance Committee will consider such relevant factors as it deems appropriate, including the current composition of our Board, the evaluations of other prospective nominees, and the need for any required expertise on our Board or one of its committees. The Nominating and Corporate Governance Committee also contemplates multiple dynamics that promote and advance diversity among the members of our Board. Although the Nominating and Corporate Governance Committee does not have a formal diversity policy, the Nominating and Corporate Governance Committee considers a number of factors regarding diversity of personal and professional backgrounds (both domestic and international), national origins, specialized skills and acumen, and breadth of experience in industry, manufacturing, financing transactions, and business combinations. Dedication of sufficient time, energy and attention to insure diligent and effective performance of their duties is expected of directors. Directors should be committed to serve on our Board for an extended period of time, if elected by stockholders. The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders on the same basis that it evaluates other nominees for director. In order for the Nominating and Corporate Governance Committee to consider persons recommended by stockholders for inclusion as nominees for election to our Board, stockholders should submit the names, biographical data and qualifications of such persons in writing in a timely manner addressed to the attention of the Nominating and Corporate Governance Committee and delivered to the Corporate Secretary of Commercial Metals Company at P.O. Box 1046, Dallas, Texas 75221. A stockholder wishing to formally nominate a director for election at a stockholder meeting must comply with the provisions in the Company's second amended and restated bylaws addressing stockholder nominations of directors.

## **COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Board 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 Compensation Committee has recommended to the Board that this Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended August 31, 2011.

J. David Smith (Chairman)

Rhys J. Best

Richard B. Kelson

Sarah E. Raiss

## **COMPENSATION DISCUSSION AND ANALYSIS**

### **Executive Summary**

We are primarily engaged in the manufacturing, recycling, marketing and distribution of steel and metal products and related materials and services through a network of locations throughout the world. We employ approximately 11,422 employees and operate in approximately 204 locations throughout the globe. Management of our businesses is divided into two operating divisions – the CMC Americas Division and the CMC International Division. The CMC Americas Division operates through three segments: Americas Recycling, Americas Mills and Americas Fabrication. The CMC International Division operates through two segments: International Mills and International Marketing & Distribution.

Our 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 we attract and retain motivated leaders who can best position the Company to deliver financial and operational results for the benefit of our stockholders. We believe that our well-designed compensation program achieves this objective.

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In fiscal year 2011, the Company achieved a significant improvement in its results. In a challenging environment for the metals industry as a whole, the Company substantially improved its adjusted EBITDA year over year. With respect to fiscal year 2011, none of the named executive officers received payments under the fiscal year 2011 annual incentive plan or the three-year long-term incentive program that concluded in fiscal year 2011. However, in recognition of the Company's and each executive's strong operational performance during fiscal year 2011 and the long-term vision displayed by management in approving the decision to exit the CMC Sisak mill and the discontinuation of operations at certain rebar fabricating and construction services locations, the Compensation Committee approved discretionary bonuses to be paid to certain of the named executive officers with respect to fiscal year 2011. In addition, the Compensation Committee modified its long-term incentive program to enhance the correlation between achievement of long-term goals and the compensation paid to participants in such program.

The Compensation Committee of the Board of Directors (the Committee), with the assistance of its independent compensation consultant, engages in an ongoing review of the Company's executive compensation program to ensure that it supports the Company's compensation policy and ultimately serves the best interests of our stockholders. Following are highlights of the Company's corporate governance framework, which reinforces our pay for performance environment:

*No Tax Gross-Ups Under Executive Employment Continuity Agreements.* The Company does not provide for excise tax gross-ups under the Executive Employment Continuity Agreements. Under these agreements, if we determine that the payments to an executive under the Company's change in control agreement, combined with any other payments or benefits to which the executive may be entitled, would result in the imposition on the executive of an excise tax, we are required to either reduce such payments to the maximum amount which would not result in imposition of an excise tax or pay such payments to the executive if, even after the executive's payment of the excise tax, the executive would receive a larger net amount.

*Double Trigger Required for Receipt of Cash Severance Payments.* The Company's change in control agreements contain a double trigger in that there must be present both a change in control and a qualifying termination of the executive in order to trigger cash severance payments under these agreements. We believe that these agreements provide a mechanism for eliminating the distraction to the executives that is inherent in change in control events. While the change in control agreements institute a double trigger requirement for the payment of cash severance, our equity incentive plans allow for accelerated vesting upon a change in control. We believe that accelerated vesting in the case of equity awards is appropriate in order for employees who remain with the Company or its successor after a change in control to be treated the same with regard to equity as the general stockholders of the Company.

*Stock Ownership Guidelines.* To align the interests of our executives and directors with those of our stockholders and to assure that our executives and directors own meaningful levels of Company stock throughout their tenures with the Company, the Committee established stock ownership guidelines for our executives and directors. The stock ownership guidelines require the non-employee directors and President and COO to own Company stock equal in value to five times such person's base salary or annual retainer, as applicable, and each of the executives to own Company stock equal in value to three times his or her respective base salary.

*Benchmarking Process Used for Compensation Metrics.* The Committee reviews external market data in order to set market-based compensation levels and consider current best practices when making compensation decisions.

**Executive Compensation Participants**

The Company's executive compensation program applies to approximately 220 senior executives and senior managers; however, per the SEC executive compensation disclosure rules, this CD&A focuses on the compensation paid or awarded to the six named executive officers included in the Summary Compensation Table on page 41.

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For fiscal year 2011, the named executive officers (the "NEOs") were:

Mr. McClean, President and CEO (through August 2011), Chairman of the Board

Mr. Alvarado, Executive Vice President and COO (through August 2011), President and CEO

Mr. Zoellner, Executive Vice President Commercial Metals Company & President CMC International Division

Mr. Porter, Senior Vice President Commercial Metals Company & President CMC Americas Division

Ms. Smith, Senior Vice President and Chief Financial Officer

Mr. Larson, Senior Vice President and Chief Financial Officer (through May 2011)

As noted earlier in this proxy statement, Mr. McClean and the Company mutually agreed to terminate Mr. McClean's employment with the Company, effective upon Mr. McClean's retirement on December 31, 2011.

**Compensation Objectives and Principles**

The Committee oversees the compensation and benefit programs of our executives. The Committee determines the compensation of each member of our senior leadership group (our officers and our key operating and senior staff executives). The Committee is responsible for ensuring that our compensation policies and practices support the successful recruitment, development, and retention of the executive talent and leadership required to achieve our business objectives. The Committee is made up entirely of independent directors, consistent with the current listing standards of the NYSE.

The Committee believes that it is in the best interests of stockholders for us to establish and maintain a competitive executive compensation program. Accordingly, our base salary philosophy consists of maintaining competitive base salaries which we target at approximately the 40<sup>th</sup> percentile of competitive market data, as discussed below. A significant portion of potential executive compensation is variable based upon our financial performance, which we believe aligns executive performance goals with those of our stockholders and, thus, constitutes a larger percentage of an executive's overall compensation opportunity. We will pay higher compensation when goals are exceeded than when goals are not met, taking into consideration individual ability to influence results and overall economic and market conditions.

The Committee has approved an executive compensation program that:

facilitates the attraction and retention of top-caliber talent;

aligns the short and long-term interests of our executives with those of our stockholders; and

offers moderate base salaries and competitive employee benefits coupled with significant short and long-term variable incentives dependent upon achieving financial performance goals.

Within the objectives listed above, the Committee generally believes that best practices call for the performance metrics by which variable compensation is determined to be:



largely formulaic;

designed to compensate based upon a combination of individual, business unit and Company performance goals; and

established and communicated early in the performance period in order to align individual performance with Company goals. In addition, the Committee strongly believes that a portion of our executive compensation program must remain purely discretionary. Discretionary compensation allows the Committee (i) to evaluate and reward executive performance in areas such as employee development and training, leadership and succession planning, (ii) to perform a qualitative assessment of the business and competitive conditions in which we operate, and (iii) to consider issues of internal pay equity and external benchmarking.

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### **Determination of Total Compensation**

The Committee engages in an ongoing review of the Company's executive compensation program. 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, our compensation philosophy, and the features of the program. The Committee periodically adjusts the various compensation elements to best align the performance goals applicable to our executives with those of our stockholders as well as with the requirements of our business and regulatory environment.

#### ***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 our executive compensation program is tasked and overseen directly by the Committee. At the direction of the Committee, our management provides information and analyses to the Committee. In fiscal 2011, Towers Watson (Towers Watson) served as management's compensation consultant and assisted management in its analysis of executive compensation. As discussed further below, the Company participates in and purchases various compensation surveys and studies which management and the Committee use to analyze executive compensation. We believe that utilizing information from multiple external consulting firms and compensation surveys ensures an objective and well-rounded view of executive compensation practices.

In fiscal year 2011, we paid E&Y approximately \$280,000 for services provided to the Committee relating to executive and director compensation. In addition, we paid E&Y \$390,000 for tax-related and mergers and acquisition services provided during fiscal year 2011. The engagement of E&Y for these tax-related and mergers and acquisition services was based on historical practices. The Committee believes that adequate safeguards exist to ensure the continued independence and objectivity of E&Y's compensation consulting advice, and the Committee monitors the other services provided by E&Y.

#### ***Role of Management and CEO in Compensation Decisions***

We strongly believe in aligning executive and stockholder interests 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 us and our executives. To that end, the executive team analyzes, with assistance from the Committee and management's compensation advisors, trends and recommends improvements to the compensation programs. Specifically, Mr. McClean, the Chairman of the Board, and Mr. Alvarado, President and CEO, reviewed with the Committee their recommendations (without any recommendation as to their own compensation) regarding base salary adjustments, annual bonus, long-term bonus and equity awards for the NEOs to ensure alignment of stockholder interests with executive goals as well as reward for performance. While the Committee receives management's input with respect to executive compensation, all decisions regarding compensation for the NEOs are made by the Committee.

As periodically invited by the Committee, the following executives have attended meetings or portions of meetings of the Committee in fiscal year 2011: Mr. McClean, Chairman and former CEO; Mr. Alvarado, President and CEO and former COO; Ms. Bruder, Senior Vice President of Law, Government Affairs and Global Compliance, General Counsel and Corporate Secretary; and Mr. Alleman, Senior Vice President of Human Resources, as well as employees of E&Y.

#### ***Competitiveness of our Compensation Program***

Our executive compensation program is designed so that total short and long-term compensation is competitive with market practices. Market practices, or benchmarks, are based on peer group data and compensation survey data. Peer group data is used to evaluate the compensation paid or awarded to Messrs. McClean and Alvarado, while compensation survey data is used to evaluate compensation paid or awarded to the other NEOs.

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Annually, the Committee selects for the peer group what it considers to be the most comparable companies with emphasis on their industry focus, size, scope, and complexity of operations. The peer group does not vary significantly one year to the next to ensure a stable basis of comparison. For example, other than the deletion from the peer group of Gerdau Ameristeel Corporation, the peer group used for determining fiscal year 2011 compensation was the same as the peer group used for determining fiscal year 2010 compensation. Gerdau Ameristeel Corporation was removed from the peer group because it ceased to be a publicly traded company in fiscal year 2010.

For fiscal year 2011, the peer group consisted of the following companies:

AK Steel Holding Corporation

Allegheny Technologies Incorporated

Mueller Industries, Inc.

Nucor Corporation

Reliance Steel & Aluminum Co.

Schnitzer Steel Industries, Inc.

Steel Dynamics, Inc.

The Timken Company

United States Steel Corporation

Worthington Industries

As noted above, the Committee also uses compensation survey data in its evaluation of executive pay for the NEOs other than Messrs. McClean and Alvarado. Survey data provides insight into positions that may not generally be reported in proxy statements and information about the compensation of executives of non-public companies. To assist the Committee in evaluating fiscal year 2011 compensation levels, the Committee reviewed information from the following surveys: Economic Research Institute 2011 Executive Compensation Assessor; Mercer Human Resource Consulting 2010 Executive Survey Report; and Towers Watson 2010/2011 Industry Report on Top Management. For purposes of this CD&A, the peer group data and compensation survey data are collectively referred to as Peer Data.

## **Compensation Practices during Fiscal Year 2011**

In fiscal year 2011, the following compensation actions were taken:

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no Annual Cash Incentive Bonus (as defined below) or Long-Term Cash Incentive (as defined below) payments were made to the NEOs for fiscal year 2011;

certain NEOs received discretionary annual bonuses in recognition of their significant efforts and contributions to the Company in fiscal year 2011;

the Company awarded Messrs. McClean and Larson retirement bonuses in the amounts of \$750,000 and \$100,000, respectively;

the NEOs received a combination of performance-based and time-vested restricted stock units, with vesting of the performance-based units being determined based on a cumulative three-year EBITDA and ROIC targets (each as defined below), subject to the Committee's exercise of negative discretion based on the Company's ranking in total stockholder return as compared to the members of the peer group;

the NEOs received salary and/or promotional increases; and

the Company entered into a retirement agreement and amended employment agreement with Messrs. Larson and McClean, respectively, in connection with each officer's transition from the role of an officer of the Company and eventual retirement from the Company.

**Table of Contents****Compensation Mix: Components and Objectives of Short- and Long-Term Compensation**

In accordance with our overall compensation philosophy and program, executives are provided with a mix of base salary, short-term incentives, long-term incentives, employee benefits and health and welfare benefits. Our compensation philosophy places a greater portion of the potential compensation for each NEO at risk such that compensation will vary based on performance. Variable compensation is a component of compensation for most of our employees, but it is reflected in greater proportion in the NEO compensation. The table on the following pages describes each element of compensation and the objectives for each element:

| <b>PROGRAM</b>                              | <b>DESCRIPTION</b>   | <b>OBJECTIVES</b>   |
|---|--|---|
| <b>ANNUAL COMPENSATION:</b>                 |  |   |
| <b>Base Salary</b>                          | Annual cash compensation.  | Retention.  |
| <b>Annual Cash Incentive Bonus</b>          | Bonus plan based on performance periods set by the Committee typically utilizing formula-driven target awards based upon performance goals.<br><br>Bonus payout for formulaic bonus features may be reduced below (but not increased above) formula results at the discretion of the Committee.  | Recognition of individual performance.<br>Focus executives on achieving pre-established performance goals, such as return on invested capital or net assets, operating profit, net earnings or working capital reduction.   |
| <b>Annual Discretionary Incentive Bonus</b> | Cash bonuses awarded at the discretion of the Committee. The Committee may consider any circumstances it deems appropriate in awarding these discretionary bonuses.  | Provides the Committee with flexibility to reward individual performance not reflected in formulaic metrics.<br><br>Focus employees on performance.<br><br>Reviewed annually for individual contribution in context of Company performance and internal pay equity and external benchmarking. |
| <b>LONG-TERM COMPENSATION:</b>              |  |   |
| <b>Long-Term Incentive Program</b>          | A long-term incentive program using a combination of time-vested and performance-based awards. The performance-based awards are subject to a multi-year performance period, currently based on growth in EBITDA and ROIC targets.<br><br>For the fiscal year 2011-2013 performance period, awards will be settled in time-vested restricted stock units and performance-based stock units, with the performance-based stock units settled in 50% cash and 50% Company stock. | Focus on long-term Company performance and long-term success.<br><br>Retention.<br><br>Employee alignment with stockholders via performance goals and stock ownership.  |
| <b>OTHER EXECUTIVE BENEFITS:</b>            |  |   |
| <b>Retirement Programs</b>                  | Company offers an ERISA qualified defined contribution plan, a non-qualified plan designed to restore benefits that would have otherwise been received by participants but for applicable IRS limits, and pension retirement plans for designated employees located outside the U.S.   | Attract qualified employees.<br><br>Retention.<br><br>Provide vehicle for retirement.   |

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| <b>PROGRAM</b>        | <b>DESCRIPTION</b>  | <b>OBJECTIVES</b>   |
|-----------------------|---|---|
| <b>Perquisites</b>    | Company-provided automobiles and related insurance and maintenance (or, alternatively, an allowance for the same).  | Attract qualified employees.  |
| <b>Other Benefits</b> | Relocation benefits.<br>Medical, dental, vision, life insurance, short and long-term disability, employee assistance program, employee stock purchase plan, and other welfare benefits. | Attract qualified employees.<br><br>Retention.<br><br>Provide health and welfare benefits to employees. |

**Base Salary**

We pay an annual base salary to each of our NEOs in order to provide them with a fixed rate of cash compensation that is non-variable during the fiscal year. The Committee targets base salary at the 40<sup>th</sup> percentile of the Peer Data; however, actual base salary may be above or below the 40<sup>th</sup> percentile based on the Committee's review of the underlying scope of an NEO's responsibilities, individual performance and experience, internal pay equity, and retention concerns. The Committee strives to maintain salaries at a level that will attract top talent, while linking a significant portion of an executive's total compensation opportunity to our success. The fiscal year 2011 salary increases described below were generally made to bring the base salary levels of our NEOs into closer alignment with the Peer Data.

For fiscal year 2011, Mr. McClean's minimum base salary was increased from \$700,000 to \$850,000. In connection with Mr. McClean's transition from the role of President and CEO to the role of Chairman of the Board, Mr. McClean's base salary was reduced to \$400,000.

For fiscal year 2011, Mr. Alvarado's base salary was increased from \$500,000 to \$650,000 when he was named President and COO and subsequently to \$750,000 when he was named President and CEO.

Mr. Zoellner's base salary for fiscal year 2011 was increased from CHF 535,000 to CHF 555,970 (USD equivalent for comparison purposes of \$607,959 based on the average monthly exchange rate of .9145 for the prior 12 months). Mr. Zoellner is the President of our International Division and a resident of Switzerland and, accordingly, his base salary is set at the beginning of each fiscal year in Swiss francs.

Mr. Porter's base salary was not increased during fiscal year 2011.

For fiscal year 2011, Mr. Larson's base salary was increased from \$390,000 to \$420,000 until his retirement on December 31, 2011.

Ms. Smith was hired as Senior Vice President and Chief Financial Officer on June 1, 2011, with a minimum base salary of \$475,000. Ms. Smith's initial base salary was determined based on the Peer Data as well as the advice of E&Y.

**Annual Cash Incentive Bonus**

At the 2007 annual meeting of stockholders, our stockholders approved the Commercial Metals Company 2006 Cash Incentive Plan (the 2006 Cash Plan), the purpose of which is to advance the interests of the Company and our stockholders by:

providing those employees designated by the Committee, which may include NEOs, other senior executives, senior managers and other employees, incentive compensation tied to stockholder goals for Company and individual performance;

identifying and rewarding superior performance;

providing competitive compensation to attract, motivate, and retain outstanding employees who achieve superior financial performance for us; and

fostering accountability and teamwork throughout the Company.

In accordance with the terms of the 2006 Cash Plan, the Committee establishes appropriate performance periods, designates those executives eligible to participate, sets the level of potential awards and determines the

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financial targets or other performance measures which, if attained, result in payment of awards (the performance goals). Management may periodically make recommendations as to these matters, but the Committee makes all decisions with respect to the implementation of the 2006 Cash Plan. In establishing performance goals, the Committee reviews industry and market conditions, projected general economic conditions, both our past and forecasted performance levels applicable to those executives with overall Company responsibilities and, with respect to Mr. Porter and Mr. Zoellner, each business unit for which they are responsible.

The performance period for the annual bonus (the Annual Cash Incentive Bonus) is our fiscal year. The Annual Cash Incentive Bonus is designed to focus our executives on short-term return and, in the case of business unit leaders, operating profit goals. We believe that these goals in concert help ensure that executives are focused on effectively utilizing our assets, maximizing operational efficiencies and seeking profitable growth opportunities.

The table below sets forth each NEOs fiscal year 2011 threshold, target and maximum bonus opportunities, expressed as a percentage of base salary. Target Annual Cash Incentive Bonus opportunity is designed to achieve, when combined with base salary, compensation at approximately the 50<sup>th</sup> percentile of Peer Data.

**2011 Annual Cash Incentive Bonus Opportunity****Expressed as a Percentage of Base Salary at Beginning of Fiscal Year 2011**

| <b>Name</b>         | <b>Threshold</b> | <b>Target</b> | <b>Maximum</b> |
|---------------------|------------------|---------------|----------------|
| Murray R. McClean   | N/A              | 100%          | 300%           |
| Joseph Alvarado(1)  | N/A              | 85%           | 250%           |
| Hanns K. Zoellner   | 37.5%            | 75%           | 210%           |
| Tracy L. Porter     | 37.5%            | 75%           | 210%           |
| William B. Larson   | N/A              | 75%           | 195%           |
| Barbara R. Smith(2) | N/A              | 75%           | 195%           |

(1) The bonus opportunities reported for Mr. Alvarado reflect his bonus opportunity as the Company's Executive Vice President and COO.

(2) Ms. Smith commenced employment with the Company in June 2011 and was eligible to receive a pro rata bonus payment reflecting the portion of the year in which she was employed by the Company.

The 2011 performance goals were based on overall Company performance and business unit performance. For Messrs. McClean, Alvarado and Larson and Ms. Smith, their 2011 Annual Cash Incentive Bonus was based entirely on overall Company FIFO Net Income and ROIC (each as defined below), with each performance goal weighted equally. For Messrs. Zoellner and Porter, their 2011 Annual Cash Incentive Bonus was based 50% on overall Company FIFO Net Income and ROIC and 50% on their respective business unit RONA and Operating Profit (each as defined below), with each performance goal weighted equally.

With regard to fiscal year 2011, the Committee ensured that the annual performance targets were aligned with the Company's business plans to reinforce the Company's goal to achieve the Company's business plans. The portion of the bonus tied to CMC financial performance metrics was only payable if CMC achieved its target FIFO Net Income. If so achieved, target bonuses would be automatically paid. The portion of the NEOs bonus that was tied to business unit performance was payable only if the Company met its FIFO Net Income goal and both the RONA and Operating Profit goals were achieved. If RONA and Operating Profit goals were met, then bonuses would be automatically paid. Payouts for performance in excess of target are determined using straight line interpolation.



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The following tables set forth the fiscal year 2011 performance goals applicable to each NEO.

**Messrs. McClean, Larson and Alvarado and Ms. Smith s 2011 Annual Cash Incentive Bonus Performance Goals**

| Commercial Metals Company | Weighting | Threshold | Target | Maximum |
|---------------------------|-----------|-----------|--------|---------|
| FIFO Net Income(1)        | 50%       | N/A       | \$52M  | \$73.1M |
| ROIC(2)                   | 50%       | N/A       | 4.9%   | 6.9%    |

**Mr. Zoellner s 2011 Annual Cash Incentive Bonus Performance Goals**

| Commercial Metals Company | Weighting | Threshold | Target | Maximum |
|---------------------------|-----------|-----------|--------|---------|
| FIFO Net Income(1)        | 50%       | N/A       | \$52M  | \$73.1M |
| ROIC(2)                   | 50%       | N/A       | 4.9%   | 6.9%    |

**Business Unit Performance Goal (International Division)**

|                     | Weighting | Threshold | Target   | Maximum  |
|---------------------|-----------|-----------|----------|----------|
| RONA(3)             | 50%       | 7.4%      | 11.7%    | 16.3%    |
| Operating Profit(4) | 50%       | \$77.4M   | \$121.5M | \$170.2M |

**Mr. Porter s 2011 Annual Cash Incentive Bonus Performance Goals**

| Commercial Metals Company | Weighting | Threshold | Target | Maximum |
|---------------------------|-----------|-----------|--------|---------|
| FIFO Net Income(1)        | 50%       | N/A       | \$52M  | \$73.1M |
| ROIC(2)                   | 50%       | N/A       | 4.9%   | 6.9%    |

**Business Unit Performance Goal (Americas Division)**

|                     | Weighting | Threshold | Target   | Maximum  |
|---------------------|-----------|-----------|----------|----------|
| RONA(3)             | 50%       | 8.8%      | 12.2%    | 17.0%    |
| Operating Profit(4) | 50%       | \$134.3M  | \$184.6M | \$258.5M |

- (1) FIFO Net Income means net earnings calculated using the first in, first out ( FIFO ) inventory costing principle for all inventories.
- (2) ROIC means FIFO Net Income before interest expense divided by the sum of commercial paper, notes payable, current maturities of long-term debt, debt and stockholders equity.
- (3) For an applicable business unit, RONA means the percentage obtained by dividing Operating Profit by the value of average net assets, determined by using the FIFO inventory costing principle.
- (4) For an applicable business unit, Operating Profit means FIFO Net Income before income taxes, interest (both internal and external) and program/discount fees and expenses.

Our overall performance in fiscal year 2011, measured in terms of net earnings, did not meet the threshold financial goals due to one-time, pre-tax charges related to the Company s decision to exit the CMC Sisak mill in Croatia as well as the discontinuation of operations at five rebar fabricating locations and eight construction services locations. Because the Company failed to achieve the Company-wide threshold financial goals in fiscal year 2011, no fiscal year 2011 Annual Cash Incentive Bonus payments were paid to the NEOs under the 2006 Cash Plan. However, business unit level financial goals were achieved in most business units.

**Discretionary Bonuses**

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In addition to the Annual Cash Incentive Bonus, the Committee may, in its discretion, approve additional discretionary cash awards to employees, including the NEOs (the Annual Discretionary Incentive ). Any Annual Discretionary Incentive is calculated solely at the discretion of the Committee. The Annual Discretionary

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Incentive allows the Committee to award discretionary bonuses in response to circumstances unforeseen at the beginning of the fiscal year. At the end of each fiscal year the Committee determines whether any discretionary awards are deemed warranted and, if so, in what amount. Each discretionary cash award is based on the Committee's evaluation of the individual's overall job performance, including (i) progress toward non-financial or less objective goals such as employee development, training, leadership and succession planning, (ii) a qualitative assessment of the business and competitive conditions in which we operate, and (iii) issues of internal pay equity and external benchmarking.

After reviewing the Company and individual performance for fiscal year 2011, the Committee determined that it was appropriate to award discretionary bonuses to certain of the NEOs to recognize and reward management for its strong operational performance during fiscal year 2011 and the long-term vision displayed by management in approving the decision to exit the CMC Sisak mill in Croatia and the discontinuation of operations at five rebar fabricating locations and eight construction services locations. In determining the Annual Discretionary Incentive to be paid to Messrs. Alvarado and Porter, the Committee also considered the strong performance of the Americas Division during fiscal year 2011. Accordingly, Messrs. Alvarado, Porter and Zoellner and Ms. Smith received discretionary bonuses of \$750,000, \$500,000, \$200,000 and \$50,000, respectively.

### ***Long-Term Incentives***

We maintain both a long-term cash incentive program and a long-term equity incentive program, each governed by their respective stockholder approved plans: the 2006 Cash Plan and the Commercial Metals Company 2006 Long Term Equity Incentive Plan (as amended and approved by stockholders in 2010) (the 2006 Equity Plan). Through these programs we provided senior executives, including participating NEOs, the opportunity for cash and equity awards contingent on the attainment of multi-year performance goals. Acting in concert, the Annual Cash Incentive Bonus, the Annual Discretionary Incentive, and long-term incentive programs provide balanced cash incentives and equity incentives that reward executive focus on delivering both financial results and long-term growth. Both equity and cash are used in order to facilitate retention, provide long-term motivation and to focus executives on increasing stockholder value. The target long-term incentive awards are designed to achieve, when combined with base salary and the target Annual Cash Incentive Bonus, approximately the 50<sup>th</sup> percentile, or slightly higher, of Peer Data and, when achieving maximum performance, to reach total compensation at the upper quartile or better of Peer Data.

### ***Fiscal Year 2011 Fiscal Year 2013 Combined Long-Term Incentive Program***

In fiscal year 2011, the Committee elected to combine the cash and equity long-term incentive programs into a single program ( Combined Long-Term Incentive Program ) in order to (i) provide management incentives focused on long-term growth (3-year cumulative EBITDA targets (as defined below)) within certain profitability parameters (3-year ROIC targets (as defined below)), (ii) further align all direct compensation to fiscal year performance periods, (iii) simplify the communication of the long-term goals and their calculation metrics thereby enhancing the correlation between achievement of long-term goals and compensation, and (iv) ease long-term incentive program administration. The result is a long-term incentive program (with the equivalent cumulative potential value to executives as previously provided) utilizing three-year performance periods with awards to be selected and set annually at the discretion of the Committee from a mixture of potential awards, including: (i) time-vested restricted stock units; (ii) performance-vested stock units (with the actual payout of the award based on the level of attainment of cumulative EBITDA and ROIC targets over the performance period and settled partly in the Company's stock and partly in cash); and (iii) time-vested stock appreciation rights and/or stock options.

In fiscal year 2011, the Committee approved the 2011 2013 Combined Long-Term Incentive Program with the long-term incentive awards to be delivered in the form of time-vested restricted stock units ( RSUs ) and performance-vested stock units ( PSUs ). The RSU awards vest ratably over a three-year period. For the PSUs, the performance period began on December 1, 2010 and will end on August 31, 2013. The PSU awards are measured over the performance period based on the achievement of growth in net earnings before interest (including accounts receivable securitization program expenses), taxes, depreciation, amortization and accrual for

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prior years long-term cash incentive awards ( EBITDA ), and return on invested capital ( ROIC ) targets. Under the terms of the award agreements, the Committee may exercise its discretion to reduce the award payments in the event that the Company's total stockholder return is below the 40<sup>th</sup> percentile of the peer group. The 2011-2013 PSUs will be settled 50% in cash and 50% in stock, with the settlement value of the PSUs determined based on the closing share price on the last day of the performance period. A minimum performance 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. For the 2011-2013 performance period, the Committee established the payout formula to encourage strong, focused performance with each performance level representing what the Committee deemed to be stretch performance goals given the economic and market conditions at the time the goals were set.

The following table sets forth the target award opportunity, expressed as a percentage of base salary, under the 2011-2013 Combined Long-term Incentive Program.

**Fiscal Year 2011 through 2013 Combined Long-Term Incentive Opportunity****Expressed as a Percentage of Base Salary at Beginning of Performance Period**

| Name              | Threshold | Target | Maximum |
|-------------------|-----------|--------|---------|
| Murray R. McClean | 90%       | 200%   | 340%    |
| Joseph Alvarado   | 80%       | 175%   | 300%    |
| Hanns K. Zoellner | 70%       | 150%   | 255%    |
| Tracy L. Porter   | 70%       | 150%   | 255%    |
| William B. Larson | 70%       | 150%   | 255%    |
| Barbara Smith(1)  | N/A       | N/A    | N/A     |

(1) Ms. Smith was not employed by the Company on the date on which the performance period commenced; however, pursuant to the terms of Ms. Smith's employment, Ms. Smith received 20,000 RSUs in June 2011.

The following table sets forth the percentage of the aggregate long-term incentive target award to be delivered in the form of RSUs and PSUs.

**Fiscal Year 2011 through 2013 Combined Long-Term Incentive Awards****Expressed as a Percentage of Base Salary at Beginning of Performance Period**

| Name              | RSUs | Threshold<br>LTI-EBITDA | PSUs:  | Maximum<br>LTI-EBITDA |
|-------------------|------|-------------------------|--------|-----------------------|
|                   |      |                         | Target |                       |
| Murray R. McClean | 80%  | 10%                     | 120%   | 260%                  |
| Joseph Alvarado   | 70%  | 10%                     | 130%   | 230%                  |
| Hanns K. Zoellner | 60%  | 10%                     | 90%    | 195%                  |
| Tracy L. Porter   | 60%  | 10%                     | 90%    | 195%                  |
| William B. Larson | 60%  | 10%                     | 90%    | 195%                  |
| Barbara Smith(1)  | N/A  | N/A                     | N/A    | N/A                   |

(1) Ms. Smith was not employed by the Company on the date on which the performance period commenced; however, pursuant to the terms of Ms. Smith's employment, Ms. Smith received 20,000 RSUs in June 2011.

**Table of Contents****Prior Years Long-Term Cash Incentive Programs**

Prior to fiscal year 2011, the Committee granted both annual and long-term cash awards under the 2006 Cash Plan. At the beginning of each three-year performance period, the Committee established performance goals and set 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 performance period. Results were to be measured over the ensuing three-year performance period. Participants were to be paid cash awards following the end of each three-year period only if the Company achieved the performance goals. A minimum level (threshold) was established below which no payment would be made to any participant as well as a target and maximum award payment for each participant. For these performance periods, the Committee considered 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 Company's executive compensation program.

For the 2009-2011 and 2010-2012 performance periods, growth in Company-wide EBITDA was used as the sole performance goal. The minimum hurdle to reach a threshold long-term cash incentive payment was a continuation of the Company's record 2007 EBITDA multiplied by three (the Threshold LTI-EBITDA). Increases to the Threshold LTI-EBITDA were required over each three-year performance period to attain target and maximum payments. In order to attain the target payments, the Company was required to increase the Threshold LTI-EBITDA by 6%. In order to attain the maximum payments, the Company was required to increase the Threshold LTI-EBITDA by 8%. The Committee believed the use of growth in LTI-EBITDA over the performance period as a performance goal focused our executives on generation of earnings growth, a key factor in increasing stockholder value.

In the wake of the global financial crisis, and its depressive effect on economic conditions, the Company's EBITDA growth outlook was correspondingly reduced. After reviewing the fiscal 2010-2012 performance goals and the Company's growth outlook, the Committee believed that basing the prospective EBITDA goals on the highest EBITDA achieved would set unrealistic and, therefore, non-motivational goals for participants in the program. The Committee set an adjusted EBITDA target for the 2010-2012 performance period based on a combination of management's internal five year plan, other factors including EBITDA estimates intended to drive stock price improvement, past practice and perceived achievability.

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 2009-2011 and 2010-2012 performance periods. Since the Threshold LTI-EBITDA level was not achieved for the 2009-2011 performance period, no long-term cash incentive payments were attributable to the three-year performance period ended August 31, 2011.

**Fiscal Year 2009 through 2011 Long-Term Cash Incentive Opportunity****Expressed as a Percentage of Base Salary at Beginning of Fiscal Year 2009**

| Name                | Threshold<br>LTI-EBITDA<br>\$2,074,887,000(1) | Target LTI-EBITDA<br>\$2,199,380,000(1) | Maximum<br>LTI-EBITDA<br>\$2,240,878,000(1) |
|---------------------|---|---|---|
| Murray R. McClean   | 40%   | 80%                                     | 120%  |
| Hanns K. Zoellner   | 35%   | 70%                                     | 105%  |
| Tracy L. Porter     | 15%   | 30%                                     | 45%   |
| William B. Larson   | 30%   | 60%                                     | 90%   |
| Joseph Alvarado(2)  | N/A   | N/A                                     | N/A   |
| Barbara R. Smith(2) | N/A   | N/A                                     | N/A   |

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- (1) *These performance targets do not correspond to any financial guidance that we have provided or may provide for future periods and should not be considered as statements of our expectations or estimates of results. We specifically caution investors not to apply these statements to other contexts.*
- (2) Mr. Alvarado and Ms. Smith did not receive grants under the long-term cash incentive program for the 2010-2012 performance period because they each began employment with the Company after the commencement of the performance period.

**Fiscal Year 2010 through 2012 Long-Term Cash Incentive Opportunity****Expressed as a Percentage of Base Salary at Beginning of Fiscal Year 2010**

| Name                | Threshold LTI-EBITDA<br>\$810,000,000(1) | Target LTI-EBITDA<br>\$858,000,000(1) | Maximum<br>LTI-EBITDA<br>\$875,000,000(1) |
|---------------------|--|---------------------------------------|---|
| Murray R. McClean   | 40%                                      | 80%                                   | 120%                                      |
| Hanns K. Zoellner   | 35%                                      | 70%                                   | 105%                                      |
| Tracy L. Porter     | 15%                                      | 30%                                   | 45%                                       |
| William B. Larson   | 30%                                      | 60%                                   | 90%                                       |
| Joseph Alvarado(2)  | N/A                                      | N/A                                   | N/A                                       |
| Barbara R. Smith(2) | N/A                                      | N/A                                   | N/A                                       |

- (1) *These performance targets do not correspond to any financial guidance that we have provided or may provide for future periods and should not be considered as statements of our expectations or estimates of results. We specifically caution investors not to apply these statements to other contexts.*
- (2) Mr. Alvarado and Ms. Smith did not receive grants under the long-term cash incentive program for the 2010-2012 performance period because they each began employment with the Company after the commencement of the performance period.

**Retirement Bonuses Awarded to Messrs. McClean and Larson**

In fiscal year 2011, the Committee approved retirement bonuses for Messrs. McClean and Larson in the amounts of \$750,000 and \$100,000, respectively. The retirement bonuses paid to Messrs. McClean and Larson were paid in recognition of the years of dedication and service to the Company and the efforts of each executive in assisting with the transition of their responsibilities to their successors.

**Other Elements of Compensation**

As described below, we also provide retirement benefits and health and other welfare benefits to our NEOs.

**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 contributions to the plan are discretionary. In addition, Mr. Zoellner participates in a Swiss pension plan applicable to employees based in Switzerland. This plan is described in further detail on page 48. The amounts contributed to the Swiss pension plan on behalf of Mr. Zoellner and the PS/401(k) Plan on behalf of each of the other NEOs are listed in the Summary Compensation Table on page 41.

**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 Company provides the Benefit Restoration Plan ("BRP"), 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 calendar year-end, we credit to the participant's account under the BRP a dollar amount equal to the amount of Company contributions that the participant would have received under the PS/401(k) Plan but for the limits imposed by law on Company contributions to that plan. A BRP participant may also elect to defer up to fifty percent (50%) of compensation into his or her BRP account. The Committee

believes that the BRP is an important element of our long-term compensation program because it helps attract and retain talent in a competitive market. The amounts contributed to the BRP plan on behalf of each of the participating NEOs are listed in the Summary Compensation Table on page 41.

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*Supplemental Retirement Benefit to Mr. Zoellner:* In fiscal year 2010, we engaged Towers Watson in Zurich to review our Swiss pension plan to determine local competitiveness. Towers Watson found that for most employee age groups, the current Swiss pension plan contributions were competitive; however, Mr. Zoellner's contributions were generally less than competitive over the last 10 years. Given the Company's mandatory executive retirement age of 65, unlike other employees, Mr. Zoellner would not have enough future years of employment to make up for the contributions to be competitive. Therefore, the Committee determined that a payment in the amount of 198,935 Swiss francs (equivalent to \$243,137 U.S. Dollars based on an exchange rate of .8182 Swiss francs to 1 U.S. Dollar which was the exchange rate on August 31, 2011) would be made to Mr. Zoellner in fiscal years 2010, 2011 and 2012, provided that Mr. Zoellner remained an employee of the Company.

***Perquisites***

We provide leased cars and related insurance and maintenance or, alternatively, car allowances to U.S.-based NEOs in order to facilitate the successful achievement of their and our performance. In addition, in fiscal year 2011 the Company incurred costs to relocate Ms. Smith to the Company's headquarters. These relocation costs included costs associated with the sale of Ms. Smith's home in Tampa, Florida. This relocation benefit was deemed to be important to the recruiting of Ms. Smith to the Company. We do not own or provide corporate aircraft, security services, personal tax or financial planning, an executive dining room or similar perquisites to the NEOs.

***Medical and Other Welfare Benefits***

Our U.S.-based NEOs, 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 other employee benefits made available to employees.

***Termination, Severance and Change in Control Benefits***

In recognition of the years of dedication and service to the Company and the efforts of each executive in assisting with the transition of their responsibilities to their successors, in May 2011, the Committee approved a retirement agreement and amended and restated employment agreement for Messrs. Larson and McClean, respectively. Under these agreements, Messrs. McClean and Larson are each bound to certain post-employment restrictive covenants following their retirement. In consideration of Mr. Larson's release of claims and his agreeing to be available to the Company for assistance in preparing financial statements for the current fiscal year and to perform other transition obligations, under Mr. Larson's retirement agreement, Mr. Larson is entitled to the following on his retirement date: (i) a lump sum payment of \$250,000; (ii) an amount equal to twenty days of accrued, unused vacation pay; (iii) subject to the discretion of the Compensation Committee, payment of the annual bonus for the current fiscal year as calculated and determined by the Committee; (iv) Company-paid COBRA coverage for eighteen months following the Retirement Date; (v) vesting of SARs, restricted stock, stock options, and/or certain PSUs, all to the extent permitted by the terms of the applicable equity incentive plan and award or grant agreements; (vi) a lump sum severance payment in an amount equal to two times his current base salary; and (vii) payment of all vested benefits, including benefits under any equity incentive plan, LTIP, PS/401(k) Plan and BRP. Pursuant to Mr. McClean's amended and restated employment agreement, (i) the Company agreed to pay Mr. McClean a lump sum payment of \$3,023,860 (representing 1.5 times his base salary and average bonus over the prior five years plus a \$100,000 agreement non-renewal fee) and other specified benefits and payments in connection with his retirement from the Company, (ii) accelerated vesting of certain of Mr. McClean's outstanding equity awards, and (iii) Mr. McClean agreed to a release and waiver of claims in favor of the Company. As noted above, Mr. McClean and the Company mutually agreed to terminate Mr. McClean's employment with the Company, effective upon his retirement on December 31, 2011. As a result, Mr. McClean will be eligible to receive the severance payments provided under his amended and restated employment agreement.

Also, during fiscal year 2011, the Company entered into an employment agreement with Ms. Smith governing the initial terms of Ms. Smith's employment as our Senior Vice President and Chief Financial Officer. Ms. Smith's agreement includes an initial base salary, initial equity grant and a one-time sign-on bonus, each as



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described in further detail in the Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table. The terms of Ms. Smith's agreement were determined based on the input of E&Y, consideration of the forfeiture by Ms. Smith of compensation that would have been paid by her prior employer and the negotiations between the Committee and Ms. Smith.

As of August 31, 2011, the employment agreements with each of our NEOs provide severance benefits upon a qualifying termination of employment. In addition, we have entered into Executive Employment Continuity Agreements (EECAs) with each of the NEOs, other than Messrs. McClean and Larson, which provide for enhanced severance benefits in the event of a qualifying termination of employment within two years following a Change in Control (as defined in such agreements). The termination provisions included in the employment agreements and EECAs are further described below in the Potential Payments and Benefits Upon Termination or Change in Control section. The Committee believes the payments provided for under the employment agreements and EECAs upon a qualifying termination of employment to be reasonable in light of the non-competition obligations imposed upon the NEOs post-termination and in order to ensure that we have the continued attention and dedication of the executives during circumstances that could result in a change in control.

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, as defined by such plans. Further, the 2006 Cash 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 Internal Revenue Code, as amended (the Code), and further consistent with our best interests. We believe that accelerated vesting upon a Change in Control is appropriate in order for employees who remain with the Company or its successor after a Change in Control to be treated the same with regard to equity as the general stockholders of the Company.

## **Deductibility of Executive Compensation**

Section 162(m) of the Code limits the amount of compensation paid to our CEO and our other three most highly compensated executive officers, other than our CFO, that may be deducted by us for federal income tax purposes in any fiscal year to \$1,000,000. Performance-based compensation that has been approved by our stockholders is not subject to the Code's \$1,000,000 deduction limit. Our 2006 Cash Plan and 2006 Equity Plan have been approved by our stockholders and awards under those plans that constitute performance-based compensation are not subject to the Code Section 162(m) deduction limit. We believe that all compensation paid to NEOs attributable to fiscal year 2011 will be tax deductible to us, except for discretionary bonuses paid to NEOs whose compensation exceeds the Code Section 162(m) threshold.

While the Committee believes that it is important for compensation paid to our NEOs to be tax deductible under the Code, the Committee also recognizes the need to retain flexibility to make compensation decisions that may not meet the standards of Section 162(m) when necessary to enable the Company to continue to attract, retain, reward and motivate its highly-qualified executives.

## **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.

## **Stock Ownership Policy and Policy Regarding Hedging of Company Stock**

The Board of Directors has implemented stock ownership guidelines for directors, all NEOs, other officers and certain designated senior level employees. The Board of Directors believes that minimum ownership guidelines serve to further align the interests of those covered by the guidelines with our stockholders. Executives who are hired or promoted into positions covered by the guidelines have three years following such date to attain the minimum ownership level applicable to their positions, while individuals who are elected to serve on the Board of Directors have five years from their election date to attain the minimum ownership level applicable to directors. The guidelines require ownership of Company stock with a value based on the grant date.

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fair value or the purchase date fair value as determined on January 31st 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 CEO five times base salary; and

Executive Vice Presidents, Senior Vice Presidents, each Company business segment President, the CFO and the General Counsel three times base salary.

The greater of current fair market value and the grant date fair value of unvested restricted and performance shares of Company common stock and unexercised options, stock appreciation rights and similar equity incentives, vested or unvested, is included when determining the amount of stock ownership. As of January 31, 2011, all directors and NEOs have met or, within the applicable period, are expected to meet the stock ownership guidelines.

In 2002, the Board of Directors adopted an expanded policy on insider trading prohibiting all employees from buying or selling Company stock while aware of material nonpublic information, and prohibiting the disclosure of material nonpublic information to others who then trade in our securities. The policy is available on our website, [www.cmc.com](http://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 ours to engage in short-term or speculative transactions in our securities which may be viewed as reducing their incentive to improve our performance or inconsistent with the objectives of our stockholders in general. Therefore, it is our policy that directors, officers and other employees may not engage in any transactions involving our securities which constitute short sales, puts, calls or other similar derivative securities. The policy prohibits 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, our General Counsel.

**Table of Contents****EXECUTIVE COMPENSATION**

The following tables, footnotes and narratives, found on pages 41 through 59, provide information regarding the compensation, benefits and equity holdings in the Company for the NEOs.

**FISCAL YEAR 2011 SUMMARY COMPENSATION TABLE**

| Name and Principal  |      | Salary     | Bonus      | Stock Awards    | Option Awards | Non-Equity Incentive Plan Compensation | All Other Compensation | Total        |
|---|------|------------|------------|-----------------|---------------|--|------------------------|--------------|
| Position  | Year | (\$)       | (\$)(5)    | (\$)            | (\$)          | (\$)                                   | (\$)(8)                | (\$)         |
| Murray R. McClean(1)  | 2011 | \$ 786,539 | \$ 750,000 | \$ 1,660,620(6) | \$ 0          | \$ 0                                   | \$ 83,288              | \$ 3,280,447 |
| Chairman of the Board,<br>Former President and Chief<br>Executive Officer               | 2010 | \$ 630,000 | \$ 0       | \$ 1,576,800    | \$ 0          | \$ 0                                   | \$ 9,894               | \$ 2,216,694 |
|   | 2009 | \$ 654,231 | \$ 0       | \$ 533,400      | \$ 0          | \$ 0                                   | \$ 42,874              | \$ 1,230,505 |
| Joseph Alvarado(1)  | 2011 | \$ 557,692 | \$ 750,000 | \$ 1,092,000(6) | \$ 0          | \$ 0                                   | \$ 58,765              | \$ 2,458,457 |
| President and CEO,<br>Former Executive<br>Vice President<br>and Chief Operating Officer | 2010 | \$ 165,385 | \$ 0       | \$ 828,800      | \$ 0          | \$ 0                                   | \$ 1,799               | \$ 995,984   |
| Hanns K. Zoellner(2)  | 2011 | \$ 602,011 | \$ 200,000 | \$ 826,176(6)   | \$ 0          | \$ 0                                   | \$ 336,231(9)          | \$ 1,964,418 |
| Executive Vice<br>President CMC and<br>President International<br>Division              | 2010 | \$ 470,215 | \$ 0       | \$ 847,600      | \$ 0          | \$ 0                                   | \$ 263,986             | \$ 1,581,801 |
|   | 2009 | \$ 443,302 | \$ 0       | \$ 266,700      | \$ 0          | \$ 0                                   | \$ 65,663              | \$ 775,665   |
| Tracy L. Porter   | 2011 | \$ 440,000 | \$ 500,000 | \$ 644,702(6)   | \$ 0          | \$ 0                                   | \$ 34,573              | \$ 1,619,275 |
| Senior Vice<br>President CMC<br>and President CMC<br>Americas Division                  | 2010 | \$ 342,077 | \$ 0       | \$ 797,800      | \$ 0          | \$ 0                                   | \$ 9,894               | \$ 1,149,771 |
| William B. Larson(3)  | 2011 | \$ 407,308 | \$ 100,000 | \$ 615,420(6)   | \$ 0          | \$ 0                                   | \$ 54,104              | \$ 1,176,832 |
| Former Senior Vice<br>President and<br>Chief Financial<br>Officer                       | 2010 | \$ 351,000 | \$ 0       | \$ 847,600      | \$ 0          | \$ 0                                   | \$ 48,180              | \$ 1,246,780 |
|   | 2009 | \$ 364,500 | \$ 0       | \$ 222,250      | \$ 0          | \$ 0                                   | \$ 34,194              | \$ 620,944   |
| Barbara R. Smith(4)   | 2011 | \$ 115,096 | \$ 300,000 | \$ 260,400(7)   | \$ 0          | \$ 0                                   | \$ 400,002(10)         | \$ 1,075,498 |
| Senior Vice<br>President and<br>Chief Financial<br>Officer                              |      |            |            |                 |               |  |                        |              |

(1) Mr. McClean served as the President and CEO through August 31, 2011 and Mr. Alvarado was appointed to the position of President and CEO, effective September 1, 2011.

(2) Mr. Zoellner's annual base salary is set in Swiss francs. 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 2011 the rate was .9145 Swiss francs to 1 U.S. Dollar). The amounts shown for Mr. Zoellner's fiscal year 2011 discretionary bonus, also paid in Swiss

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francs, use the exchange rate in effect at the time such bonus was paid (for fiscal year 2011 the rate was .8634 Swiss francs to 1 U.S. Dollar).

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- (3) Mr. Larson resigned as Senior Vice President and Chief Financial Officer, effective June 1, 2011.
- (4) Ms. Smith commenced employment with the Company, effective June 1, 2011.
- (5) For Messrs. McClean and Larson, this amount represents retirement bonuses. For Ms. Smith, this amount also includes a sign-on bonus of \$250,000 paid in November 2011 pursuant to the terms of Ms. Smith's employment. For each of the other NEOs, this amount represents discretionary bonuses paid with respect to fiscal year 2011 performance.
- (6) Includes the grant date fair value of PSUs and RSUs awarded in fiscal year 2011 and calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation (FASB ASC Topic 718). Grant date fair value for PSUs is based on the probable outcome of the performance-based vesting conditions as of the grant date. Assumptions used in determining these values can be found in Note 1 in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K, which was filed with the SEC on October 31, 2011. The maximum value of the PSUs for Messrs. McClean, Alvarado, Zoellner, Porter and Larson, respectively, are as follows: \$2,518,790, \$1,403,906, \$1,074,060, \$838,126 and \$800,030.
- (7) Includes the grant date fair value of RSUs awarded as of Ms. Smith's date of hire and calculated in accordance with FASB ASC Topic 718. Assumptions used in determining this value can be found in Note 1 in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K, which was filed with the SEC on October 31, 2011.
- (8) For fiscal year 2011, this column includes contributions to the PS/401(k) Plan accounts of each of our participating NEOs as follows: \$8,575 for each of Messrs. McClean and Porter, \$12,174 for Mr. Alvarado, \$9,950 for Mr. Larson, and \$1,187 for Ms. Smith. This column also includes contributions to the BRP accounts of Mr. Alvarado of \$31,651, Mr. Larson of \$31,635, Mr. Porter of \$25,998, and Mr. McClean of \$55,684. Because Ms. Smith was newly hired in June 2011, she was not eligible to participate in the BRP for fiscal year 2011. All NEOs, except Mr. Zoellner, received a company furnished or reimbursed vehicle in fiscal year 2011, the value of which is included in this column if the amount is over \$10,000. Messrs. Alvarado, McClean and Larson received vehicle-related amounts of \$14,940, \$19,029 and \$12,519 respectively.
- (9) Includes Company's contribution of \$89,541 to the Swiss SOBP and of \$3,553 to the Swiss BVG (as both are defined on page 48), paid in Swiss francs, and set forth here in U.S. Dollars based on the August 31, 2011 exchange rate of .8182 Swiss francs to 1 U.S. Dollar. This also includes a company pension make-up contribution of \$243,137 paid in Swiss francs directly to Mr. Zoellner (as more fully described on page 48), and set forth here in U.S. Dollars based on the August 31, 2011 exchange rate.
- (10) This amount includes approximately \$399,000 paid to or on behalf of Ms. Smith in connection with her relocation from Florida, including costs relating to the sale of Ms. Smith's primary residence in Florida and a tax gross-up relating to Ms. Smith's relocation benefits of approximately \$107,000. These relocation expenses were valued on the basis of the aggregate incremental cost to the Company and represent the amount accrued for payment to the service provider or Ms. Smith, as applicable.

**Table of Contents****Grants of Plan Based Awards**

The following table and footnotes provide information regarding grants of plan based awards to NEOs in fiscal year 2011.

**GRANTS OF PLAN BASED AWARDS****IN FISCAL YEAR 2011**

| Name              | Grant Date | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1) |             |              | Estimated Future Payouts Under Equity Incentive Plan Awards(2) |            |             | All Other Stock Awards: Number of Shares of Stock | Grant Date Fair Value Of Stock and Option Awards(4) |
|-------------------|------------|--|-------------|--------------|--|------------|-------------|---|---|
|                   |            | Threshold (\$)   | Target (\$) | Maximum (\$) | Threshold (#)  | Target (#) | Maximum (#) |   |   |
| Murray R. McClean | 1/18/2011  | N/A  | \$ 850,000  | \$ 2,550,000 | 5,322  | 63,870     | 138,384     | 42,580  | 996,372   |
| Joseph Alvarado   | 1/18/2011  | N/A  | \$ 552,500  | \$ 1,625,000 | 1,996  | 40,000     | 89,994      | 30,000  | 624,000   |
| Hanns K. Zoellner | 1/18/2011  | \$ 211,447   | \$ 422,894  | \$ 1,184,101 | 3,530  | 31,776     | 68,850      | 21,184  | 495,705   |
| Tracy L. Porter   | 1/18/2011  | \$ 165,000   | \$ 330,000  | \$ 924,000   | 2,756  | 24,796     | 53,726      | 16,531  | 386,818   |
| William B. Larson | 1/18/2011  | N/A  | \$ 315,000  | \$ 819,000   | 2,630  | 23,670     | 51,284      | 15,780  | 257,884   |
| Barbara R. Smith  | 6/1/2011   | N/A  | \$ 89,063   | \$ 231,563   |  |            |             | 20,000  | 369,252   |
|                   |            |  |             |              |  |            |             |   | 246,168   |
|                   |            |  |             |              |  |            |             |   | 260,400   |

(1) Represents the Annual Cash Incentive Bonus under the 2006 Cash Plan. For Ms. Smith, the amount reported represents here prorated award opportunity, prorated to reflect the period during fiscal year 2011 in which she was employed by the Company. The 2006 Cash Plan and the terms of these awards are described in the section entitled "Annual Cash Incentive Bonus" on pages 31 through 33.

(2) Represents PSUs with vesting based on the Company's achievement of performance goals relating to ROIC and EBITDA (each as defined in the CD&A) during fiscal years 2011-2013. Fifty-percent (50%) of the vested PSUs will be settled in cash and 50% of the PSUs will be settled in Company Stock. Under the terms of the award agreement, the Committee may exercise its discretion to reduce the award payments in the event that the Company's total stockholder return is below the 40th percentile of the peer group.

(3) Represents RSUs that vest ratably over three years from the date of grant.

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- (4) Represents the grant date fair value of PSUs and RSUs awarded in fiscal year 2011 and calculated in accordance with FASB ASC Topic 718. Grant date fair value for PSUs is based on the probable outcome of the performance-based vesting conditions as of the grant date. Assumptions used in determining these values can be found in Note 1 in the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K, which was filed with the SEC on October 31, 2011.

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

We entered into an employment agreement with Mr. McClean on May 23, 2005, following his appointment to the position of Executive Vice President and COO, which has been amended four times: first on September 1, 2006, when he was named CEO and received an increase in annual base salary to \$600,000; again on April 7,

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2009, when we memorialized his increase in minimum base salary to \$700,000 that was effective as of the beginning of fiscal year 2009 and extended the term of his agreement to August 31, 2010, with automatic annual renewal thereafter unless terminated by either party; and again on December 31, 2009, in order to bring certain provisions of his agreement into compliance with Section 409A of the Code. On May 23, 2011, we entered into an amended and restated employment agreement with Mr. McClean in connection with his transition to Chairman of the Board, effective as of September 1, 2011. Under the amended and restated employment agreement, Mr. McClean's annual base salary equaled \$850,000 until he transitioned from CEO to Chairman of the Board, at which point his annual base salary was reduced to \$400,000. He was also eligible to participate in our annual bonus program for 2011, participate in or receive benefits under any plan or arrangement made generally available to our employees and receive a Company-provided vehicle, consistent with its policies with respect to senior corporate executives. Pursuant to the amended and restated employment agreement, (i) the Company agreed to pay Mr. McClean a lump sum payment of \$3,023,860 (representing 1.5 times his base salary and average bonus over the prior five years plus a \$100,000 agreement non-renewal fee) and eighteen months of continued healthcare benefits coverage following the expiration of his term as Chairman, followed by one year reimbursements of premiums for medical plan coverage, (ii) the vesting of certain of Mr. McClean's outstanding equity awards would be accelerated, and (iii) Mr. McClean agreed to post-employment restrictive covenants and a release and waiver of claims in favor of the Company. See Termination of Employment Contracts and Change in Control Agreements for further information regarding the payments to be made to Mr. McClean upon termination of his employment and/or a Change in Control.

We entered into an employment agreement with Mr. Alvarado on April 16, 2010, employing him as the Company's Executive Vice President and COO, which has been amended three times: first on April 8, 2011, when he was named President and COO and we increased his minimum base salary to \$650,000; again on May 26, 2011, when he was named President and CEO, effective September 1, 2011; and most recently on September 1, 2011, when we extended the term of his agreement to August 31, 2013, with automatic annual renewal thereafter unless terminated by either party. Mr. Alvarado is eligible to earn bonuses under our compensation program but has no guaranteed bonus amount. Mr. Alvarado is also eligible to participate in or receive benefits under any plan or arrangement made generally available to our employees. See Termination of Employment Contracts and Change in Control Agreements regarding the payments to be made to Mr. Alvarado upon termination of his employment and/or a Change in Control.

We entered into an employment agreement with Mr. Zoellner on January 2, 1998, and amended and restated the agreement on June 1, 2010 to memorialize his position as Executive Vice President Commercial Metals Company and President of the CMC International Division, with a term until August 31, 2012. The agreement provides for automatic annual renewal for one year terms thereafter unless terminated by either party. Pursuant to his employment agreement, he is to receive an annual base salary of 535,000 Swiss francs. The agreement provides that Mr. Zoellner and the Company will each pay one-half of the contributions to Mr. Zoellner's statutory Swiss pension plan. He is eligible to earn bonuses under our compensation program but has no guaranteed bonus amount. Mr. Zoellner is also eligible to participate in or receive benefits under any plan or arrangement made generally available to our employees. See Termination of Employment Contracts and Change in Control Agreements regarding the payments to be made to Mr. Zoellner upon termination of his employment and/or a Change in Control.

We entered into an employment agreement with Mr. Porter on April 19, 2010, employing him as the Company's Senior Vice President and President of the CMC/Americas Division with a term until April 19, 2012 at an annual base salary of \$440,000. The agreement provides for automatic annual renewal for one year terms thereafter unless terminated by either party. He is eligible to earn bonuses under our compensation program but has no guaranteed bonus amount. Mr. Porter is also eligible to participate in or receive benefits under any plan or arrangement made generally available to our employees. See Termination of Employment Contracts and Change in Control Agreements regarding the payments to be made to Mr. Porter upon termination of his employment and/or a Change in Control.

We entered into an employment agreement with Mr. Larson on June 1, 2010, employing him as the Company's Senior Vice President and Chief Financial Officer with a term until August 31, 2012 at an annual base salary of \$390,000. The agreement provided for automatic annual renewal for one year terms thereafter



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unless terminated by either party. Under the employment agreement, Mr. Larson was eligible to earn bonuses under our compensation program but received no guaranteed bonus amount. Mr. Larson was also eligible to participate in or receive benefits under any plan or arrangement made generally available to our employees. On May 6, 2011, Mr. Larson and the Company entered into a Retirement and Transition Agreement in connection with his resignation of his position as Senior Vice President and Chief Financial Officer of the Company effective June 1, 2011, and his further resignation as an employee of the Company effective December 31, 2011 or such earlier date as the Company and Mr. Larson may mutually agree (the Retirement Date). In consideration of Mr. Larson agreeing to be available to the Company for assistance in preparing financial statements for the current fiscal year and to perform other transition obligations and for post-employment restrictive covenants as well as a release of claims, pursuant to the Retirement and Transition Agreement, Mr. Larson is entitled to the following on the Retirement Date: (i) a lump sum payment of \$250,000; (ii) an amount equal to twenty days of accrued, unused vacation pay; (iii) subject to the discretion of the Compensation Committee, payment of the annual bonus for the current fiscal year as calculated and determined by the Committee; (iv) Company-paid COBRA coverage for eighteen months following the Retirement Date followed by one year of reimbursement of premiums for plan coverage; (v) vesting of SARs, restricted stock units, stock options and certain PSUs, to the extent permitted by the terms of the applicable equity incentive plan and award or grant agreements; (vi) a lump sum severance payment in the amount of \$840,000 (equal to two times his current base salary); and (vii) payment of all vested benefits, including benefits under any equity incentive plan, LTIP, PS/401(k) Plan and BRP. In the event Mr. Larson departs with the consent of the Company, is relieved of his transition obligations, is discharged without cause or is asked to resign by the Company prior to the Retirement Date, the Company will pay Mr. Larson the cash equivalent for contributions and accruals for 2011 for Mr. Larson under the PS/401(k) Plan, BRP and any other plans or programs in which Mr. Larson currently participates as if Mr. Larson were employed on the Retirement Date. See Termination of Employment Contracts and Change in Control Agreements regarding the payments to be made to Mr. Larson upon termination of his employment and/or a Change in Control.

We entered into an employment agreement with Ms. Smith on May 3, 2011, employing her as Senior Vice President and Chief Financial Officer. The term of her employment agreement continues until August 31, 2013, with automatic annual renewal thereafter unless terminated by either party. Pursuant to her employment agreement, Ms. Smith will receive a minimum annual base salary of \$475,000 and benefits consistent with the Company's executive compensation policies. Ms. Smith is eligible to earn bonuses under our compensation program but has no guaranteed bonus amount. Ms. Smith is also eligible to participate in or receive benefits under any plan or arrangement made generally available to our employees. In addition, Ms. Smith received a one-time sign-on bonus in the amount of \$250,000 to reimburse her for amounts forfeited by her related to her previous employment. Ms. Smith was also granted 20,000 RSUs on June 1, 2011. See Termination of Employment Contracts and Change in Control Agreements regarding the payments to be made to Ms. Smith upon termination of her employment and/or a Change in Control.

The Potential Payments and Benefits Upon Termination or Change in Control Tables and narrative on pages 49 through 59 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 calculated based on our closing share price of \$11.75 on August 31, 2011.

Material terms of the grants of plan based awards are described in pages 31 through 33 where we have discussed the Annual Cash Incentive Bonus and pages 34 through 37 where we have discussed the long-term incentive awards. The fiscal year 2011 long-term incentive awards consisted of PSUs, with vesting based on EBITDA and ROIC, and RSUs, with time-based vesting over three years, as described in the section entitled Long-Term Incentives on pages 34 through 37. The percentage of salary and bonus of each of the NEOs as compared to the total compensation in the Summary Compensation Table is as follows: Mr. McClean (46%), Mr. Alvarado (53%), Mr. Zoellner (40%), Mr. Porter (58%), Mr. Larson (43%), and Ms. Smith (39%).

**Table of Contents****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 ( SARS ) and unvested PSUs and RSUs as of the end of fiscal year 2011. The market value of shares that have not vested was determined by multiplying the closing market price of our stock on August 31, 2011, \$11.75, by the number of shares that have not vested.

**OUTSTANDING EQUITY AWARDS****AT 2011 FISCAL YEAR-END**

| Name              | Number of Securities           |               | Option Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested | Market Value of Shares Or Units Of Stock That Have Not Vested | Equity Incentive  |  |
|-------------------|--------------------------------|---------------|-------------------|------------------------|---|---|---|--|
|                   | Underlying Unexercised Options | Unexercisable |                   |                        |   |   | Equity Incentive Plan Awards: Number of Unearned Shares, Units, or other Rights | Plan Awards: Market Value or Payout Value of Unearned Shares, Units, or other Rights |
| Murray R. McClean | 85,000                         | 0             | \$ 35.380         | 5/20/2015              | 75,000(1)   | \$ 881,250  | 13,750(2)   | \$ 161,563   |
|                   | 104,900                        | 0             | \$ 34.280         | 6/22/2014              | 42,580(5)   | \$ 724,286  | 60,000(3)   | \$ 705,000   |
|                   | 26,300                         | 0             | \$ 24.570         | 5/23/2013              |   |   | 5,322(4)  | \$ 62,534  |
|                   | 37,600                         | 0             | \$ 12.310         | 7/8/2012               |   |   |   |  |