

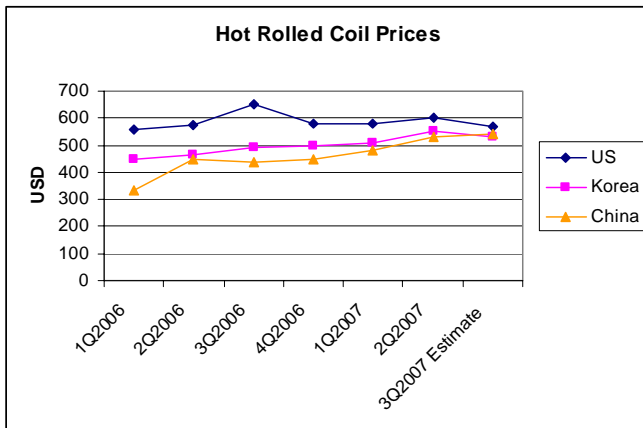
We are pleased to announce that our new 22,000 square foot warehouse in Rialto is complete. This warehouse will house both Ornamental Tubing and SPS Flow Pipe and have a total storage capacity of 4,000 tons.



GLOBAL MARKET UPDATE

West Coast steel demand has still yet to turn around in the 2nd quarter, dismaying many pipe and tube suppliers whose expectations of market strengthening were high. While raw material costs of all steel products, both domestic and foreign have increased over the past 2 quarters, mills and distributors have found it difficult in passing these higher costs down through the supply chain.

Increasing Costs: In Korea Hyundai Steel Corp increased hot rolled coil prices by \$43 per ton for second quarter shipment. Rising iron ore and



scrap prices forced 2nd quarter offer prices upward, however the increases did not stick due to weak demand in Korea and the US. Subsequently, should demand continue to be flat and inventories higher than anticipated, 3rd quarter pricing estimates call for a slight drop in HR flat roll price tags.

China's Tax Rebate: China Steel export April figures shattered all prior monthly records at 7.4 million tons. This has led to several shifts in China's steel export policy. Chief among these changes were the reduction or termination of the Chinese VAT (Value Added Tax) rebate for long products, flat rolled and other steel products which consume large amounts of energy during production or are low value added.

Ensuing on June 1st, the Chinese government officially announced it will impose the additional 5% to 10% export tax on over 80 steel products including flat steel products. The additional tax on semi-finished good such as slab, billet, ingot, and pig iron will experience the largest increase of 10% to 15%.

On June 16th, the Chinese Ministry Finance department announced it will reduce the VAT rebate for all welded pipe other than OCTG from 13% to 0%. OCTG will remain unaffected while seamless pipe will be reduced to 5%. These policy shifts are aimed at cooling ever increasing export quantities and at reducing the number of inefficient mills which rely on such rebates to remain profitable.

So, in addition to global steel price increases, there has been a large degree of China trade policy change that will affect U.S. distributors and end-users. In the midst of this, petitions have been filed to the U.S. Commerce Department and the ITC alleging dumping and the heavy subsidization of China welded standard steel pipe. We have added an addendum taken from Business Wire on June 7, 2007 detailing this issue. You can also continue to remain informed by checking our up-to-date bulletins at www.statepipe.com (click the "News" tab).

The opinions of the authors expressed within the following addendum do not necessarily state or reflect those of State Pipe & Supply.