



July 2005

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1. Investment Highlights



Summary Investment Highlights

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- ▶ Benefits from In-House Scrap Processing
- ▶ Very Strong Financial Performance
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- ▶ Longstanding Relationships Across a Diverse Customer Base
- ▶ Strong Cash Flow and Rapid Delevering
- ▶ Low Labor Costs and Manning Flexibility
- ▶ Strong Steel Prices in Bayou Steel's Markets



Investment Highlights

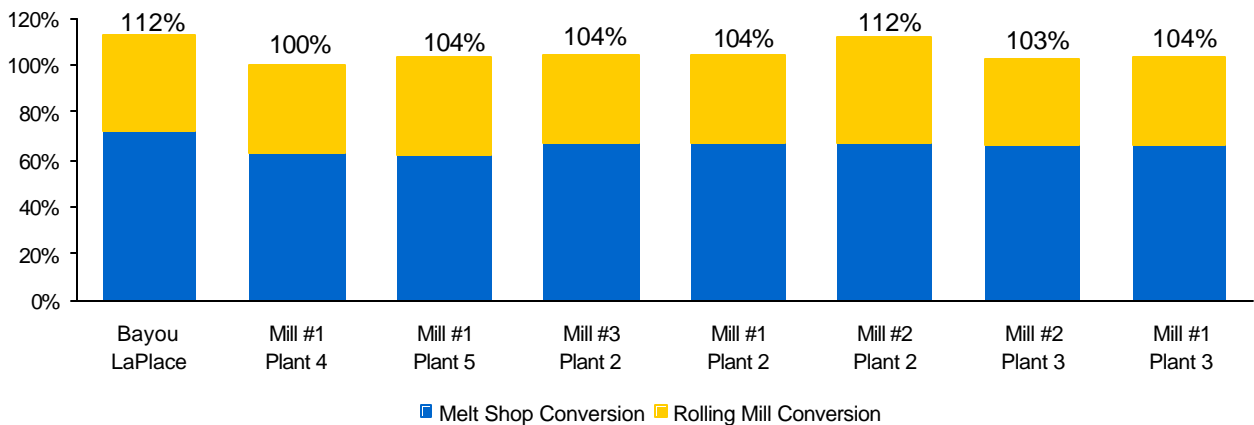
Leading Independent Steel Minimill

- ▶ Independent steel minimill producer of light structural shapes and merchant steel products with LTM shipments of 476,511 tons in the twelve months ended 03/31/05.
- ▶ Bayou Steel is the #1 or #2 supplier of its products to most of its top customers.
 - The Company has vendor managed inventory (“VMI”) programs with many of its customers creating mutual dependence and loyalty.
- ▶ Company does not compete with its customers, unlike its larger competitors that also have downstream fabrication/manufacturing processes, making Bayou Steel a preferred supplier.
- ▶ Technologically advanced production facilities.
- ▶ Strategic stocking locations give Bayou Steel geographic diversity and a broad customer base.
- ▶ Among the low-cost steel producers in its product range.

Low Cost Producer

- ▶ Bayou Steel ranks among the low-cost producers despite its small size.
- ▶ A well-respected international steel industry consulting firm serving the steel industry, did a comparison of the seven lowest-cost U.S. bar and/or structural mills, which are operated by three companies.
 - Bayou Steel was only slightly higher than the average with respect to conversion costs, but makes up for the difference with its favorable materials costs.
 - 70% control of scrap.
 - Low cost alloy substitution.

Cost Study of Low Cost Producers – March 2005





Benefits from In-House Scrap Processing

- ▶ Currently, 70% of scrap requirements are met by in-house processing or local purchasing.
 - 36% of scrap needs met through direct processing of unprepared scrap by the Company at LaPlace through its Mississippi River Recycling unit.
 - The Company has a program of buying scrap directly from local steel scrap dealers, which procures approximately 27% of its total scrap at prices lower than those obtainable elsewhere. In addition, 7.7% of scrap needs are reverts from current operations.
- ▶ Bayou Steel's remaining scrap needs are efficiently sourced from suppliers throughout the inland waterway system and through the Gulf of Mexico, which allows Bayou Steel to take advantage of steel scrap purchasing opportunities far from its minimill.
 - It also protects the Company from supply imbalances in any one area.
- ▶ Bayou Steel plans to control 80% of its scrap requirements at \$8–\$10 per ton below market by the end of fiscal 2006E and 100% by 2008E
- ▶ Bayou Steel's scrap advantage is evident in peer comparisons.
 - \$24/ton advantage over Competitor 1, on average, over the last eight quarters.
 - \$8/ton advantage over Competitor 2, on average, over the last eight quarters.

Comparison of Scrap Costs

(\$ per ton)

	QUARTER ENDED								LAST 8 QUARTERS AVERAGE
	2003			2004			2005		
	JUN	SEP	DEC	MAR	JUN	SEP	DEC	MAR	
Bayou Advantage Over Competitor 1	\$16	\$14	\$17	\$16	\$15	\$39	\$41	\$29	\$24

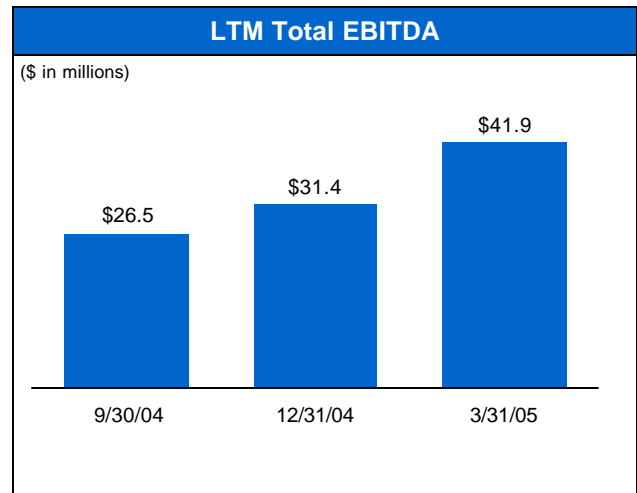
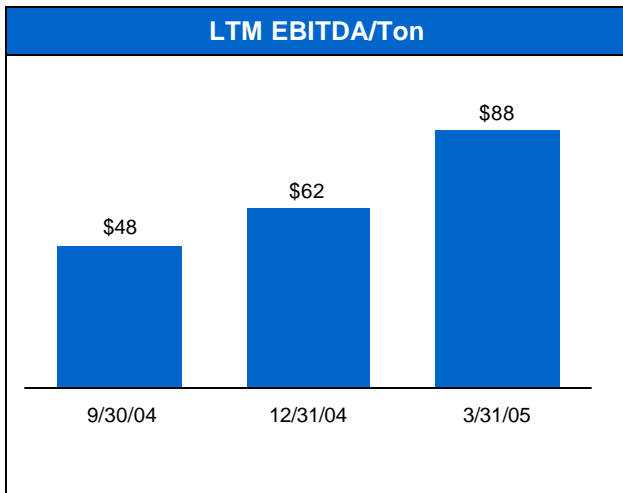
	QUARTER ENDED								LAST 8 QUARTERS AVERAGE
	2003				2004			2005	
	MAY	AUG	NOV	FEB	MAY	AUG	NOV	FEB	
Bayou Advantage Over Competitor 2	\$6	\$9	\$11	\$6	\$7	\$2	\$13	\$11	\$8

Source: Public filings.



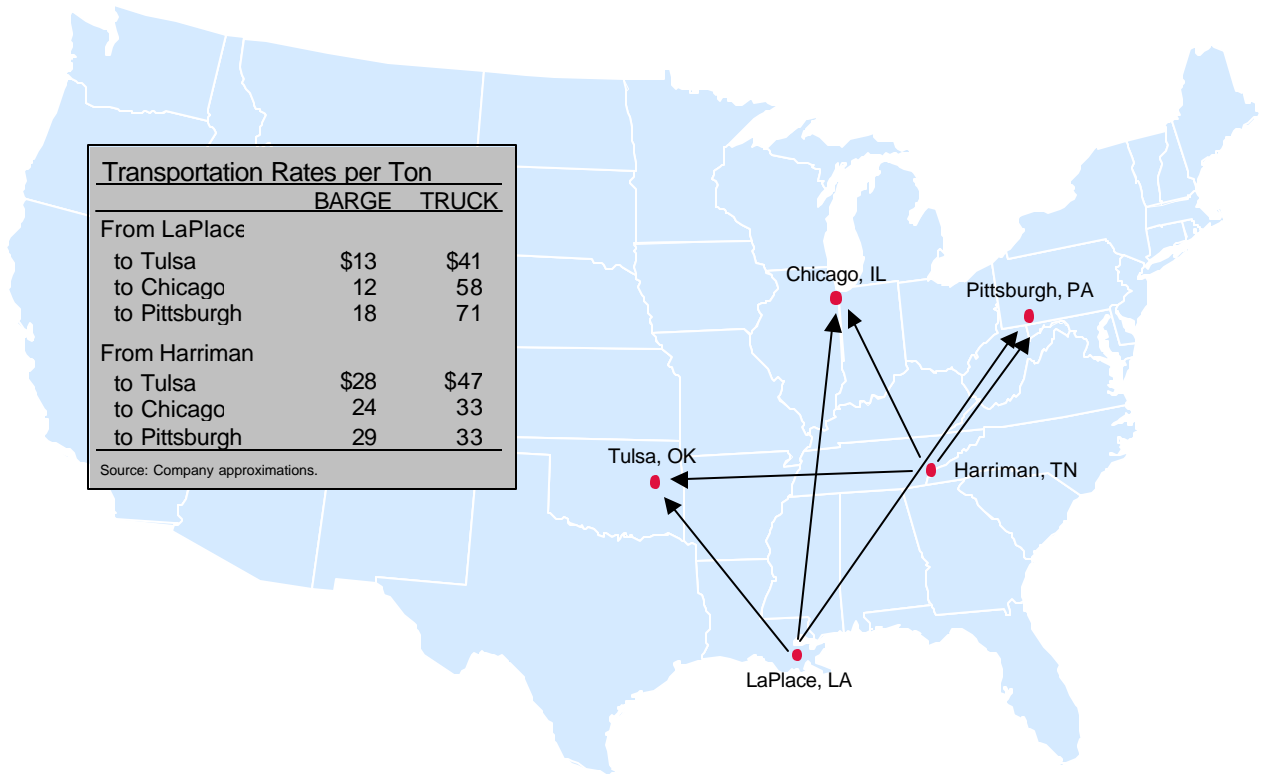
Very Strong Financial Results

- ▶ Bayou Steel’s estimated LTM EBITDA is \$41.9 million, which represents a margin of 16.4%, and the Company’s LTM revenue was at an all-time high of \$256.6 million.
- ▶ LTM shipments of 476,511 tons. Management has projected shipments to increase year-over-year based on current demand and their internal sales initiatives.
- ▶ Despite price cuts led by Nucor, metal margins remain strong and well above historical margins.



Broad and Low-Cost Distribution Network

- ▶ The Company has access to an expanded market by utilizing the low cost water system to transport its products.
- ▶ The Company’s mill sites and stocking locations also give the Company access to both key steel markets and under-served regions.
- ▶ The depots’ locations allow Bayou Steel to be a “local market producer” and facilitate:
 - Customer service / just-in-time delivery;
 - Freight control; and
 - Customer pick-up.
- ▶ A comparison of Bayou Steel’s costs vs. land-locked competitors follows:



Longstanding Relationships Across a Broad Customer Base

- ▶ The Company has approximately 520 customers
- ▶ Bayou Steel's top 20 customers represent 67.2% of 2004 sales and with no customer representing more than 8% of total revenues.
 - 17 of the Company's top 20 customers have been in the top 20 for the past three fiscal years.
- ▶ Ranked #2 on a loyalty index (with an overall score of 97 out of 100), prepared by an independent industry surveyor.
- ▶ Bayou Steel is a major supplier to some of the steel industry's leading customers such as O'Neal Steel, Metals USA, Trinity Industries, Namasco and Reliance Steel & Aluminum.



Top Customers, Fiscal 2004

CUSTOMER	RELATIONSHIP SINCE	% OF BAYOU SALES	RANK WITH CUSTOMER
Company A	1982	7.9%	1
Company B	NA	6.8%	NA
Company C	1997	6.6%	1
Company D	1987	4.6%	1
Company E	1987	3.7%	2
Company F	1989	3.5%	4
Company G	1991	3.5%	2
Company H	1988	3.2%	2
Company I	1982	3.2%	2
Company J	1997	3.1%	NA
Company K	1996	3.0%	1
Top 11 Total		49.1%	

Strong Cash Flows and Rapid Delevering

- ▶ Significant Revolver availability on a pro forma basis of \$22 million and continual delevering through strong free cash flow.
- ▶ NOLs of \$68 million as of 03/31/05 permit greater EBITDA conversion to free cash flow.
- ▶ LTM EBITDA/interest is 5.8x and LTM total debt/EBITDA is 2.2x.
- ▶ Free cash flow is expected to be strong, with a good EBITDA conversion rate, even after discretionary capital spending.

Low Labor Costs and Manning Flexibility

- ▶ The Company has approximately 514 employees.
- ▶ 363 employees are covered by collective bargaining agreements that expire in 2006 and 2007.
 - The contracts are favorable and flexible, which helps to facilitate Bayou Steel's competitive position
 - There are no manning schedules, no work rules and no prohibitions on contracting out.
- ▶ The Company has excellent labor relations – no outstanding grievances and no arbitrations since 1997.
- ▶ Bayou Steel has maintained very competitive labor rates
 - The Company does not have any OPEB liabilities.

Strong Steel Prices in Bayou Steel's Markets

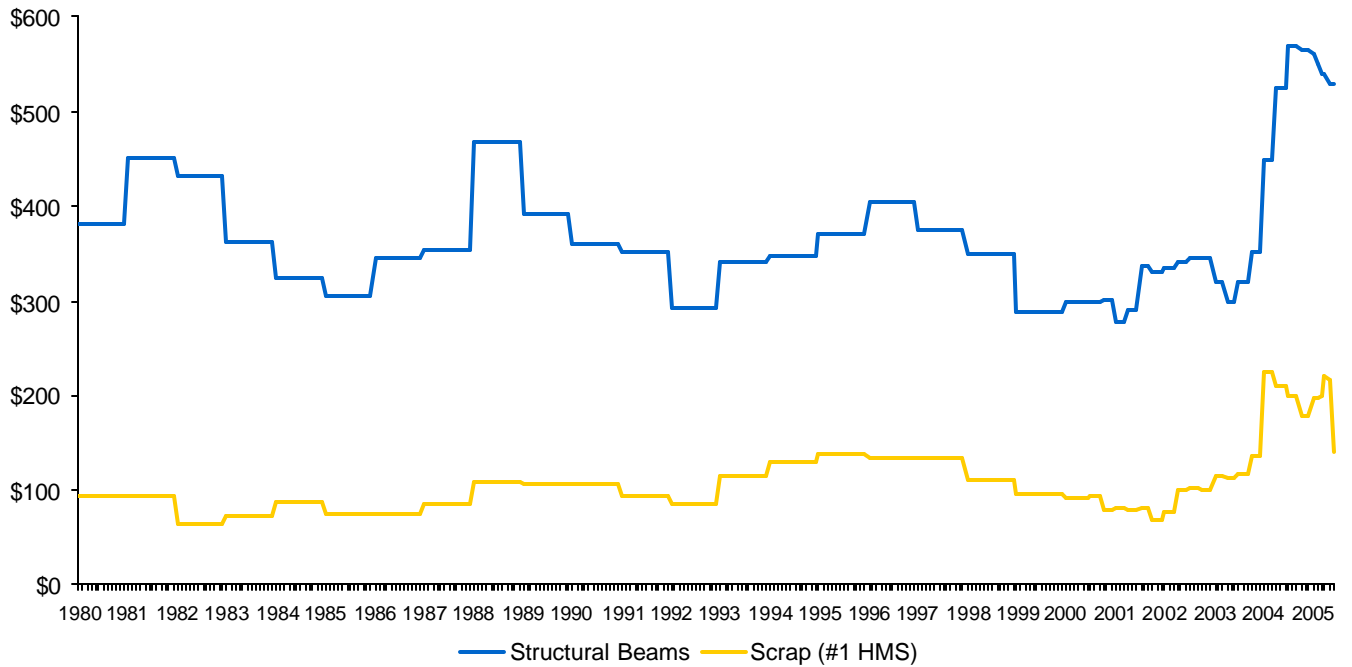
- ▶ Supply was tight in 2004 and remains solid in 2005
 - Demand in Bayou Steel's market is still solid as a result of growth in industrial manufacturing in the U.S. and abroad.



- ▶ The smaller number of producers have been adjusting output levels to meet demand shifts and keep prices stable.
- ▶ High raw materials costs are also underpinning prices, working to Bayou Steel's advantage given its in-house scrap processing capabilities.
- ▶ A summary of the structural beam and scrap prices is as follows:

U.S. Steel Prices

(\$ in tons)



Source: American Metal Market.



2. Company Overview



Company Overview

A. Company Overview

Bayou Steel produces light structural shapes and merchant bar steel products. The Company owns and operates a steel minimill and a stocking warehouse on the Mississippi River in LaPlace, Louisiana (the "Louisiana Facility"), three additional stocking locations directly accessible to the Louisiana Facility through the Mississippi River waterway system, and a rolling mill with warehousing facility in Harriman, Tennessee (the "Tennessee Facility") also accessible through the Mississippi River waterway system. The location of the production and distribution facilities allows the Company to serve customers across a wide geographic area, including its primary markets in the Southeast, the lower Midwest, the Northeast and the Mid-Atlantic states.

The Louisiana Facility, which was constructed in 1981, is a minimill operation with an electric arc furnace, a rolling mill, a climate-controlled warehouse facility and a deep-water dock on the Mississippi River. A "minimill" is a relatively low-cost steel production facility which uses steel scrap rather than iron ore as its basic raw material. In general, minimills recycle scrap using electric arc furnaces, continuous casters and rolling mills. At the Louisiana Facility, the Company produces finished steel in a variety of merchant bar and light structural products, including angles, flats, channels, standard beams and wide flange beams.

The Tennessee Facility was acquired and restarted by the Company in late-1995, and includes a computer supervised reheat furnace, a 16-stand rolling mill and automated straightening, and continuous cut-to-length, stacking and bundling equipment. At the Tennessee Facility, billets are rolled to produce merchant bar products, including angles, flats, rounds, and squares. The Tennessee facility also has the capability to produce rebar.

The Company has approximately 520 customers in the United States, Canada, and Mexico. Currently, the Company's top ten customers account for approximately 46% of total sales with each accounting for 3% to 8% of total sales. The Company believes that it is not dependent on any customer and that it could, over time, replace lost sales attributable to the loss of any one customer. The majority of the Company's finished products (approximately 73%) are sold to domestic steel service centers, while the remainder are sold to original equipment manufacturers (approximately 22%) and export customers (approximately 5%). Steel service centers are essentially wholesalers, which warehouse steel products from various minimills and integrated mills and sell combinations of products from different mills to their customers. Most steel service centers also provide additional labor-intensive value-added services such as fabricating, cutting or selling steel by the piece rather than by the bundle. Rebar may be selectively produced and sold to customers who are not necessarily part of the existing customer base.

The Company operates an automobile shredder and scrap processing facility to produce over a third of the scrap used in its operations and also purchases scrap steel in the open market from a large number of small local scrap suppliers and other larger remote dealers as necessary.

Bayou Steel had estimated revenue and EBITDA of \$256.6 million and \$41.9 million, respectively, in the twelve months ended March 31, 2005. The Company, which is publicly traded (OTC: BYUA), has an equity market value of \$50.5 million and enterprise value of \$105.8 million.

B. Corporate Strategy

Bayou Steel's main competitive advantage is its position as one of the lowest cost providers of light structural and merchant bar products. It aims to maximize efficiency by running its facilities at higher capacity utilizations and continuing to increase billet capacity in its meltshop. The Company will exploit the advantages offered by



locations on the inland waterways. Bayou Steel also plans to expand its broad product offerings and diversify its customer base.

Bayou Steel plans to control 80% of its scrap requirements by the end of fiscal 2006E and 100% by the end of 2008E. The Company has already begun executing its scrap expansion strategy.

C. Company History

Bayou Steel was founded in 1979 by a group of investors who intended to produce billets for worldwide sale. The meltshop and rolling mill were built on the Mississippi River in LaPlace, Louisiana, which was an ideal location for transportation of raw material and finished goods. The Austrian international engineering and machinery manufacturer Voest-Alpine equipped the facility with state-of-the-art components as a minimill model to be marketed worldwide. After incurring early losses due to recessionary market pressures in both global billet and domestic finished product sales, Voest-Alpine assumed control of the Company from the original group of investors in 1985.

In 1986, a consortium of investors purchased Bayou Steel from Voest-Alpine with a plan to alter the Company's marketing strategy. The Company's operations and product line were rationalized to maximize efficiency. The new Company focused on exploiting its access to the inland waterway system by transporting products to the domestic market by developing stocking locations in Chicago, Illinois; Tulsa, Oklahoma; and Leetsdale, Pennsylvania.

In late 1995, Bayou Steel acquired the Harriman, Tennessee facility from Tennessee Valley Steel Corporation ("TVSC"). The acquisition of the Tennessee facility created an additional use for the billets produced in Louisiana (other than the Louisiana rolling mill and volatile worldwide markets) and broadened the range of products that Bayou Steel could offer its customers.

The Company had its initial public offering in August 1988.

On January 22, 2003, the Company and its subsidiaries, Bayou Steel Corporation (Tennessee) and River Road Realty Corporation, filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. The Company was forced to reorganize because its debt load had become unmanageable due to significant pressure from imported steel products, low product pricing, and high-energy costs. These factors, coupled with the effects of a slowdown in the economy, had adversely affected the Company for several years prior to the Petition Date. The court approved the Plan of Reorganization on February 6, 2004. On February 18, 2004, the Company emerged from Chapter 11 bankruptcy protection. Upon emergence from bankruptcy protection, the Company was combined with its subsidiaries and became one legal entity.

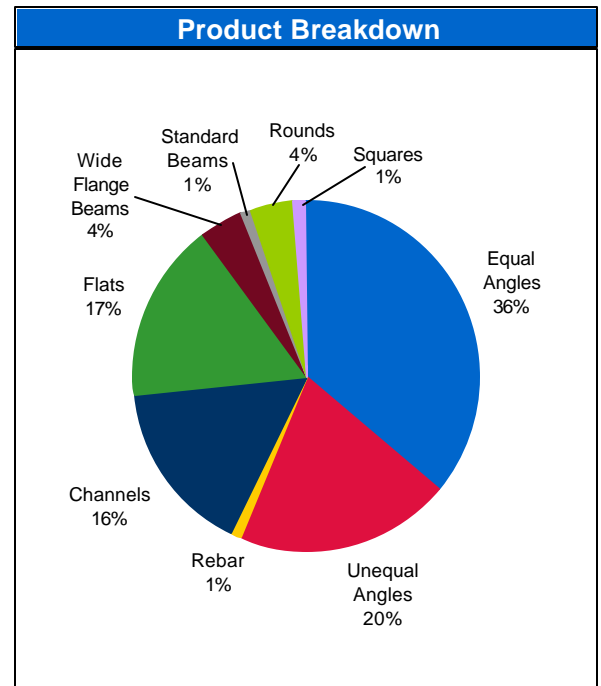
D. Products and Customers

The Louisiana Facility is capable of producing a variety of merchant bar and light structural steel products and the Tennessee Facility is capable of producing a wide range of merchant bar products and rebar. These products are cut to standard 20', 40' or 60' lengths or cut to a length specified by the customer.

The Company's finished products are used in a wide range of commercial and industrial applications, including the construction and refurbishment of petrochemical plants, barges and light ships, railcars, trailers, rack systems, tunnel and mine support products, joists, sign and guardrail posts for highways, power and radio transmission towers, and bridges. Rebar is used in highway and bridge construction, concrete structures such as parking garages, and home construction for driveways, sidewalks, and swimming pools.



Products			
		ROLLING MILL	
		TENNESSEE	LOUISIANA
Equal Angles		¾" – 2"	2" – 6"
Flats		1" – 4"	3" – 8"
Channels		NA	3" – 8"
Squares		½" – 1"	NA
Rounds		½" – 2"	NA
Unequal Angles		NA	4" – 7"
Rebar		#4 – #11	NA
Standard Beams		NA	3" – 6"
Wide Flange Beams		NA	4" – 6"



Bayou Steel's products are shipped to a number of different customer types, although service centers are the dominant buyers of Bayou Steel's products. A breakdown of the Company's 2004 shipments by customer and sector is as follows:

Top Customers, Fiscal 2004

CUSTOMER	RELATIONSHIP SINCE	% OF BAYOU SALES	RANK WITH CUSTOMER
Company A	1982	7.9%	1
Company B	NA	6.8%	NA
Company C	1997	6.6%	1
Company D	1987	4.6%	1
Company E	1987	3.7%	2
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Top 11 Total		49.1%	



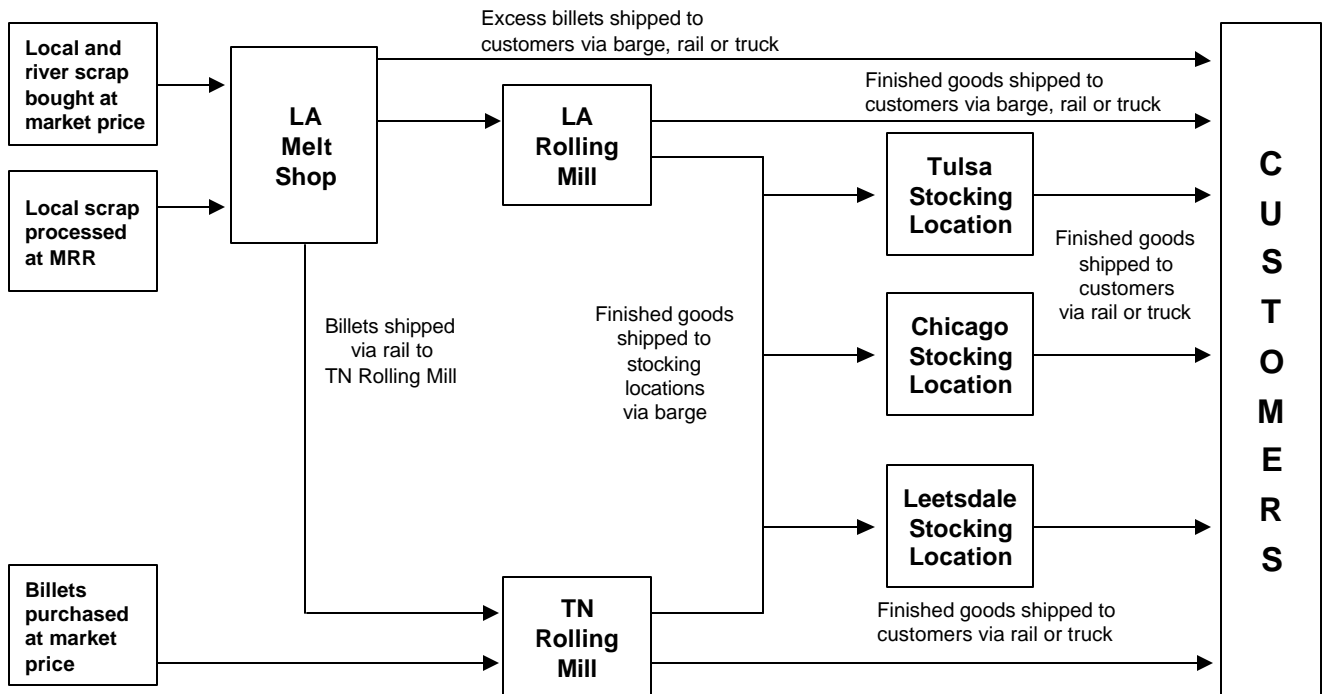
Major Sector Distribution
 (000 tons)

SEGMENT	BAYOU FY04 SHIPMENTS	% OF SHIPMENTS	CHARACTERISTICS
Service Center	429	78%	Recent consolidations of service centers have "focused" buying power. Industry moving toward more value-added services for end-user customers. Bayou Steel's products cover a small portion of this segment's total usage.
Joist	60	11%	This market is tied to non-residential construction with high product usage orientation toward Harriman sized products. Of the five largest joist producers, only Canam is not owned by a minimill. Since Bayou Steel does not own a joist company, it is favored as an "independent" source.
Structural Fabrication	15	4%	Represents a diverse group of customers in size and complexity. They buy from mills and/or service centers depending on demand timing and value added requirements. Bayou Steel's product line is tied into non-residential construction.
Guard Rail	24	4%	Customers in this market produce diverse "highway safety systems". Trinity has over 50% market share. Bayou Steel's 6" x 8.5" wide flange beam represents only one product of many used. Activity in this segment is dependent upon Federal Highway Bill and state matching funds.
Marine	10	2%	Primarily river barge production for Bayou Steel's product line with Trinity Marine holding over 50% market share. The age of the current fleet would indicate high growth potential for this segment.
Material Handling	8	1%	Primarily rack manufacturers for Bayou Steel's product line and it competes with tubular steel products for end-use applications.



E. Material Flows

As a result of the Company’s access to the Mississippi River waterway system, the Company is able to produce finished steel products in Louisiana and Tennessee and efficiently distribute throughout the U.S.



F. Manufacturing Process

Steel scrap is the principal raw material used in Bayou Steel’s production process. The Company has been able to assure the availability and moderate the cost of scrap by producing its own shredded and cut grade scrap through its scrap processing division, Mississippi River Recycling (“MRR”). MRR currently processes and supplies approximately 36% of the Company’s steel scrap requirements. The Company also buys scrap from small local suppliers. The Company purchases its remaining scrap needs on the open market from remote sources and utilizes its flexibility to transport scrap to the Louisiana facility by barge, ocean-going vessel, rail, or truck, and stores it in a scrap-receiving yard. In the first stage of production, the Company melts steel scrap in an alternating current electric arc furnace (“EAF”), which heats the steel scrap to approximately 3000°F. During the melting and subsequent refining process, impurities are removed from the molten steel. Thereafter, the molten scrap is poured from the furnace into ladles, where final heating takes place in a ladle metallurgical facility and adjustments of alloying elements and carbon are made to obtain the desired chemistry. The ladles of molten steel are then transported to one of two four-strand continuous casters in which the molten steel is solidified in water-cooled molds. The casters produce long strands of solid steel that are cut by torch into billets (semi-finished product of specified weights), moved to a cooling bed and marked for identification. After cooling, the billets are transferred to a rolling mill for further processing. Billets in excess of the Louisiana Facility’s rolling mill requirements are shipped to the Tennessee Facility via rail for its rolling mill.



In the Louisiana Facility's rolling mill, billets are reheated in a walking beam reheat furnace equipped with a recuperator before being rolled. Once the billets are heated to approximately 2000°F, they are rolled through up to fifteen mill stands which shape the billets into the dimensions and sizes of the finished products. The heated finished shapes are placed on a cooling bed and then straightened and cut into either standard 20 or 40-foot lengths or specific customer lengths. The products are then stacked into 2½ to 5-ton bundles, processed (if needed) through an off-line saw, and placed in a climate-controlled warehouse where they are subsequently shipped to the Company's stocking locations via barge or to customers via truck, rail, or barge.

In the Tennessee Facility's rolling mill, billets are reheated in a pusher reheat furnace equipped with a recuperator before being rolled. Once the billets are heated to approximately 2000°F, they are rolled through up to sixteen mill stands which shape the billets into the dimensions and sizes of the finished products. The heated finished shapes are placed on a cooling bed and then straightened and cut into either standard 20 or 40-foot lengths or specified customer lengths. The products are then stacked into 2½ to 5 ton bundles and placed in a climate-controlled warehouse where they are subsequently shipped to the Company's stocking locations via barge or to customers via truck or rail.

G. Facilities Overview

The Company's principal operating properties are listed below. The Company believes that its properties and warehouse facilities are suitable and adequate to meet its needs. Except as otherwise noted, the Company owns the properties listed below.

LOCATION	OWNED / LEASED	SIZE	FACILITY / PROPERTY DESCRIPTION
LaPlace, Louisiana	Owned and Leased	287 acres	<ul style="list-style-type: none"> ▶ Shredder, meltshop, rolling mill, and related equipment for steel production ▶ 75,000 square foot warehouse and dock facilities situated on state-leased water bottom in the Mississippi River under a 45-year lease with 35 years remaining
Harriman, Tennessee	Owned	198 acres	<ul style="list-style-type: none"> ▶ 175,000 square feet of steel mill buildings, including a rolling mill, a 39,600 square foot warehouse, and related equipment
Chicago, Illinois	Owned	7 acres	<ul style="list-style-type: none"> ▶ 100,000 square foot warehouse, a dock on the Calumet River, and other buildings
Tulsa, Oklahoma	Owned and Leased	–	<ul style="list-style-type: none"> ▶ 63,500 square foot warehouse facility with a dock on the Arkansas River system ▶ Located on land under a long-term lease ▶ First of two 10-year renewal options through March 31, 2019
Pittsburgh, Pennsylvania	Leased	–	<ul style="list-style-type: none"> ▶ 253,200 square foot leased warehouse facility with a dock on the Ohio River ▶ Amended term of the lease is through October 31, 2007; the Company has two 5-year renewal options through October 31, 2017
Louden County, Tennessee	Owned	25 acres	<ul style="list-style-type: none"> ▶ Undeveloped land along the Tennessee River, available for future use as a stocking location
Harvey, Louisiana	Leased	10 acres	<ul style="list-style-type: none"> ▶ Remote scrap processing facility with access to water. Warehouses, office, scales, and mobile equipment ▶ 10-year lease with two 5-year renewal options

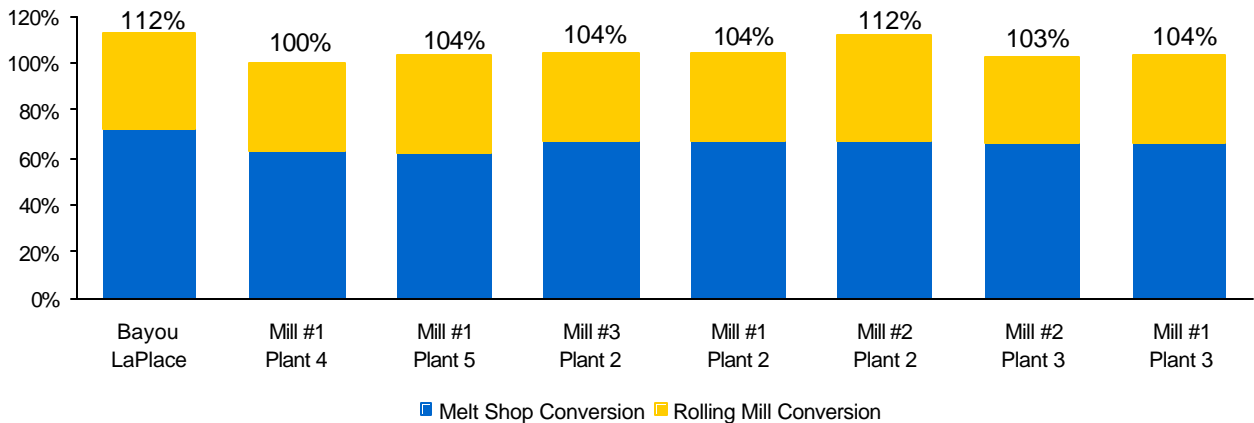


H. Cost Summary

Bayou Steel is a low cost producer despite its small size due to raw materials (scrap) advantages, low labor costs and an efficient distribution network that exploits the Company's strategic location on the inland waterway system. The Company is continually searching for ways to reduce input costs. For example, in January the Company reduced its costs for additives, alloys and fluxes by substituting columbium for vanadium, which saves \$6/ton or \$3 million/year in EBITDA with no adverse impact on selling price. Bayou Steel has significant competitive advantages in labor and scrap, its two largest components of costs.

A well-respected consulting firm serving the steel industry, did a comparison of the seven lowest-cost bar and/or structural mills, which are operated by three different companies. Bayou Steel is slightly higher than the average of the lowest cost producers with respect to conversion costs, but makes up for the difference with its favorable materials and labor costs. Power costs represent 75% of the conversion cost variance as Bayou Steel historically consumed more electricity per ton produced, though, since the maintenance shutdown in December, consumption has been reduced by 7%. This reduction in consumption has reduced the cost variance by approximately 13%.

Cost Study of Low Cost Producers, March 2005



Raw Materials

Bayou Steel's major raw material is steel scrap, which is generated principally from industrial, automotive, demolition and railroad sources. Steel scrap is primarily purchased directly in the open market by Bayou Steel's purchasing staff from a large number of steel scrap dealers, whereas most steelmakers purchase from brokers. The Company believes that its enhanced knowledge of scrap market conditions gained by being directly involved in scrap procurement on a daily basis, coupled with management's extensive experience in metals recycling markets, gives the Company the ability to minimize the cost of its highest cost component. Bayou Steel has a scrap cost advantage over other bar producers, as evidenced by the table below.

The Company has a program of buying scrap directly from local steel scrap dealers. Through this program, the Company procures approximately 27% of its steel scrap at prices lower than those obtainable from large steel scrap dealers. The Company also maintains an automobile shredder and scrap processing facility at a site adjacent to the Louisiana Facility to process shredded steel scrap and cut grades, two of several types used by the Company. In fiscal 2004, approximately 36% of the total steel scrap requirements of the Louisiana facility were met by this operation. The Company plans, and the scrap processing operation have the capacity, to produce a greater quantity of steel scrap in house.



Comparison of Scrap Costs

(\$ per ton)

	QUARTER ENDED							2005 MAR	LAST 8 QUARTERS AVERAGE
	2003			2004					
	JUN	SEP	DEC	MAR	JUN	SEP	DEC		
Bayou Advantage Over Competitor 1	\$16	\$14	\$17	\$16	\$15	\$39	\$41	\$29	\$24

	QUARTER ENDED							2005 FEB	LAST 8 QUARTERS AVERAGE
	2003			2004					
	MAY	AUG	NOV	FEB	MAY	AUG	NOV		
Bayou Advantage Over Competitor 2	\$6	\$9	\$11	\$6	\$7	\$2	\$13	\$11	\$8

Source: Public filings.

The Company is able to efficiently acquire and transport steel scrap from suppliers throughout the inland waterway system and through the Gulf of Mexico, permitting it to take advantage of steel scrap purchasing opportunities far from its minimill, and to protect itself from supply imbalances that develop from time to time in specific local markets. The Company does not currently depend upon any single supplier for its scrap as no single vendor supplies more than 10% of the Company's scrap needs. The Company, on average, maintains a 10 to 20-day inventory of steel scrap.

The cost of steel scrap is subject to market forces, including demand by other steel producers. The cost to the Company of steel scrap and the availability to the Company of raw material for its scrap processing operations can vary significantly, and finished product prices generally cannot be adjusted in the short-term to recover large increases in steel scrap costs. Over longer periods of time, however, finished product prices and steel scrap prices have trended in the same direction.

Scrap metal is converted to billets in the Company's meltshop. The meltshop supplies billets to both the Louisiana and Tennessee rolling mills. When the rolling capacity utilization exceeds 85%, the Company purchases billets on the open market to supply the remaining billet requirements. The Company's recent productivity improvements and future modifications to the equipment will minimize such purchases. Finishing capacity was constrained in fiscal 2004 due to the availability of billets; the Company believes that this was an anomaly. In the past, the Company has been able to purchase adequate quantities of billets at economical prices.

Energy Costs

After scrap and labor, energy is the next largest expense at Bayou Steel. The Company has been actively focusing on reducing energy costs with respect to both consumption and cost. The Company's manufacturing process at the Louisiana Facility consumes large volumes of electrical power and natural gas. The Company purchases its electrical power under a contract with a local utility Entergy that runs through February 15, 2007. Under the present contract, the Company receives discounted peak power rates in return for the utility's right to periodically curtail service during periods of peak demand. These curtailments are generally limited to a few hours and, in recent years, have had a negligible impact on operations. Total monthly electricity costs approximately \$1.5 million.

The Company believes that its electrical energy rates at the Louisiana Facility have been higher than those of its minimill competitors. As a result, the Company is using all practical means to reduce electrical costs through consumption and contract restructuring.



The Louisiana Facility also consumes quantities of natural gas via two separate pipelines serving the facility. Current consumption is 1 million MMBtu/year. The Company generally purchases natural gas on a month-to-month basis. In the latter part of fiscal 2000 and throughout most of fiscal 2001, the cost of natural gas increased dramatically, and in fiscal 2001 and continuing today, the Company entered into commitments to purchase a certain portion of its future natural gas requirements over a period of less than twelve months. Historically, the Louisiana Facility has been adequately supplied with electricity and natural gas and does not anticipate any significant curtailments in its operations resulting from energy shortages. However, volatility in the cost of power and natural gas can have a significant impact on the results of operations and financial position of the Company.

The Tennessee Facility's manufacturing process consumes both electricity and natural gas. The Tennessee Facility purchases its electricity from Harriman Utilities. In May 2003, the Company negotiated a new ten-year contract at a favorable rate with the local utility. The Harriman, Tennessee area is served by only one gas pipeline with current usage at 0.3 million MMBtu/year.

In efforts to stabilize natural gas cost, the Company opportunistically enters into forward commitments to purchase a portion of its natural gas requirements. The amount is typically between 0%–20%, currently the Company has 8% of its need is hedged.

I. Competition

The Company competes in the market for light structural and merchant bar steel products and does not currently compete with minimill flat-rolled producers or most domestic integrated steel producers. A summary of Bayou Steel's markets and its approximate market share against such competitors as Gerdau, Nucor, SMI, Roanoke and others is as follows:

Market Share with Major Customers, FY 2004

CUSTOMER	MILL %	
	BAYOU	RANK AMONG PEERS
Company 1	35	1 (tied)
Company 2	33	1
Company 3	40	1
Company 4	30	2
Company 5	12	4
Company 6	25	2
Company 7	20	2
Company 8	35	2
Company 9	70	1
Company 10	10	4 (tied)
Company 11	15	4
Company 12	20	3
Company 13	50	1
Company 14	20	3
Company 15	35	2

Source: Company estimates.



J. Distribution

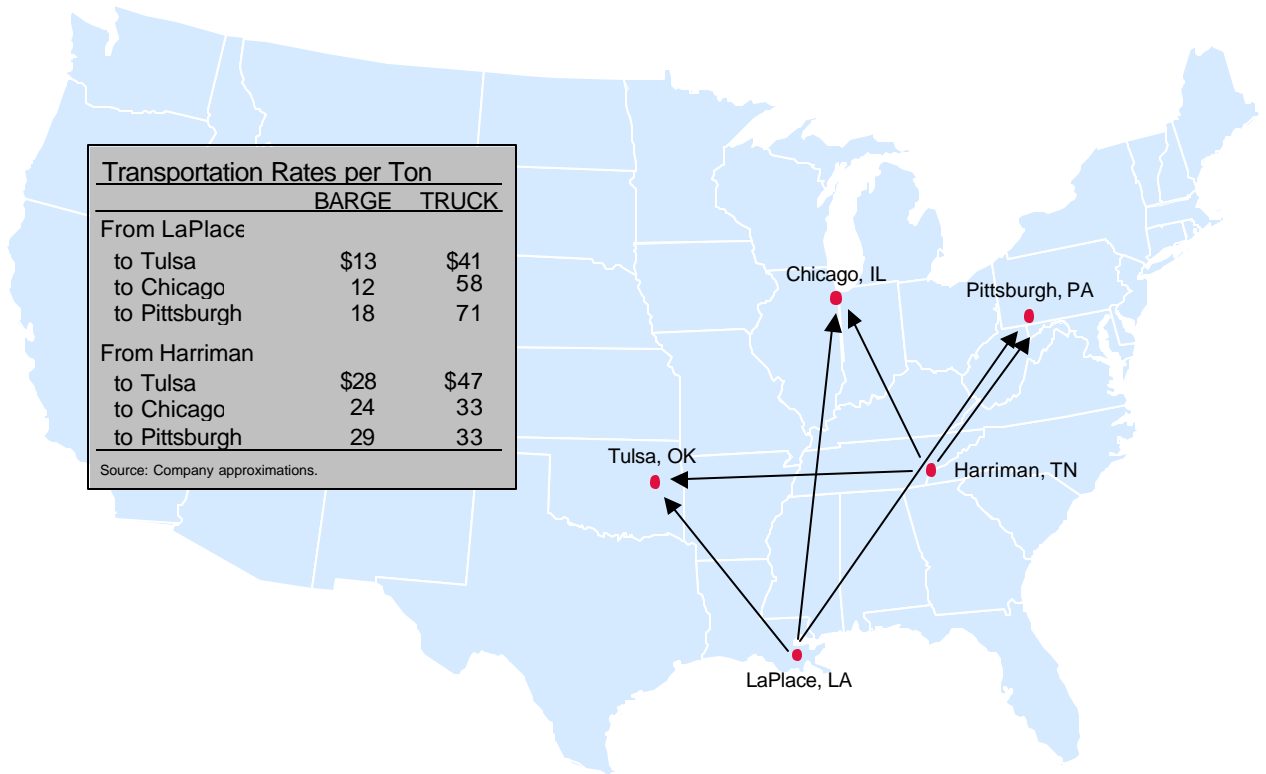
The Louisiana Facility, which includes a deep-water dock, is strategically located on the Mississippi River. The Company believes this location enhances its competitive posture by reducing overall transportation costs because it allows the Company to receive steel scrap and ship its product by barge, normally the most economical method of transportation in the steel industry. The Company also believes that the location of its minimill on the Mississippi River and its network of inland waterway warehouses enable it to access markets for its products that would otherwise be uneconomical due to the high freight costs of its products relative to selling price. The Company operates inventory-stocking warehouses near Chicago, Tulsa, and Pittsburgh, which complement its operations in Louisiana and Tennessee. These facilities, each of which is equipped with an inland waterway dock, enable the Company to significantly increase its marketing territory by providing storage capacity for finished products in three additional markets and by allowing the Company to meet customer demand far from its Louisiana and Tennessee mills on a timely basis. From these three stocking locations, product is primarily distributed by truck. In addition, rail shipments from the Louisiana Facility are made to a limited number of customers. The Company opened a trans-ship location in Carson, California in September 2003. That facility stocks in demand products manufactured at the Louisiana facility and focuses on providing same day or next day shipments in the Los Angeles region. A fee-for-service has been added to published pricing to offset the higher re-stocking costs associated for the stocking warehouses.

The Louisiana Facility's deep-water dock enables the Company to load vessels or ocean-going barges for overseas shipments, giving the Company low cost access to overseas markets if business conditions warrant. It also enables the Company to access steel scrap from the Caribbean and South and Central America. The Company believes it has a freight cost advantage over land-locked domestic competitors in serving the export market.

The Tennessee Facility provides access to the Appalachian states and the lower Midwest, plus additional access to the upper Midwest, the Southeast and the Mid-Atlantic regions. The Tennessee Facility's location is accessible by all forms of transportation as it is in close proximity to two major interstate highways, is four miles from a barge dock, and is situated on the main line of the Norfolk Southern Railroad.

The Company does not own any rolling stock, trucks or vessels used in the transportation and delivery of its products. All products are shipped by third party common carriers or contract carriers.

A comparison of Bayou Steel's costs vs. land-locked competitors is below:



K. Employees

The Company has 514 employees, 121 of whom are salaried office, supervisory and sales personnel, and 393 of whom were hourly employees. Approximately 363 are covered by labor contracts, which will expire in 2006 and 2007. The Company believes its labor relations to be excellent.

The labor agreements are favorable and flexible, which helps to facilitate Bayou Steel's competitive position. There are no manning schedules, no work rules and no prohibitions on contracting out. There are no outstanding grievances and there have not been any arbitrations since 1997. Bayou Steel maintains very competitive labor rates. Also, the Company does not have any OPEB liabilities.

The Company is subject to various regulations and standards promulgated under the Occupational Safety and Health Act ("OSHA"). These regulations and standards are administered by OSHA, and constitute minimum requirements for employee protection and health. It is the Company's policy to meet or exceed these minimum requirements in all of the Company's safety and health policies, programs, and procedures.

The Company knows of no material safety or health issues with respect to its operations.



3. Management and Board of Directors



Management and Board of Directors

Management and Board of Directors

	AGE	POSITION
Robert E. Heaton	73	Chairman of the Board
Jerry M. Pitts	52	President, Chief Executive Officer and Director
Stephen Deckoff	39	Director
James F. Haeck	58	Director
Christopher W. Parker	38	Director
Timothy A. Somers	40	Director
Thomas T. Thompson	38	Director
Richard J. Gonzalez	58	Vice President, Chief Financial Officer, Treasurer and Secretary
Alton W. Davis	56	Vice President of Plant Operations
Timothy R. Postlewait	53	Vice President of Strategic Planning
Charles J. Theaux, Jr.	43	Senior Vice President of Sales and Customer Service
Robert A. Pulliam	45	Vice President of Technical Resources and Procurement
James E. Howe	57	Vice President of Sales
Kevin G. Torres	42	Vice President of Mississippi River Recycling

Robert E. Heaton became a director of the Company and Chairman of the Board in July 2004. Mr. Heaton was previously a director of the Company from May 2002 to February 2004. Mr. Heaton has been a director of Wheeling-Pittsburgh Corporation since August 2003. Mr. Heaton has been a director of Blonder Tongue Laboratories, Inc. since March 1998. He also presently serves on the board of directors of Calstrip Steel Corp. From April 1993 through April 1995, Mr. Heaton served as Vice Chairman of the Stainless Steel Group of Lukens, Inc. from April 1981 through April 1993, Mr. Heaton was President and Chief Executive Officer of Washington Steel Corporation until it was acquired by Lukens, Inc. Mr. Heaton is a past Chairman of the Specialty Steel Industry of North America.

Jerry M. Pitts was appointed Chief Executive Officer of the Company on May 2, 2004 while continuing his role as President, Chief Operating Officer and member of the Board of Directors. Mr. Pitts has served as President, Director and Chief Operating Officer of the Company since September 1994 and has worked in the steel industry for the past 30 years. As an employee of Bayou Steel Corporation for 24 years, he served from 1991 to 1994 as Chief Operating Officer and Executive Vice President of the Company; from 1987 to 1991 as Executive General Manager, 1986 to 1987 he was General Manager of Operations; from 1984 to 1986, he was Superintendent of Melting Operations; and from 1980 to 1984, he was General Foreman of Melting. Mr. Pitts worked in various management capacities related to production and process engineering at U.S. Steel Corporation from 1974 to 1980.

Stephen Deckoff is a co-founder and Managing Partner of Black Diamond Capital Management, LLC ("BDCM"), a privately held, alternative fund management firm with over \$5 billion of assets under management as of January 31, 2005. Prior to founding BDCM in 1995, Mr. Deckoff was a Senior Vice President at Kidder, Peabody & Co, Inc. where he was head of the Structured Finance Group. Under Mr. Deckoff's direction, the group was responsible for new issue origination, transaction structuring and trading for all non-first mortgage related assets. Prior to joining Kidder, Peabody & Co. in 1993, Mr. Deckoff was a Managing Director at Bear, Stearns & Co. Inc. in the Structured Finance Group. Before joining Bear, Stearns & Co. Inc, Mr. Deckoff worked in the Structured Finance Department at Chemical Securities, Inc. and Fixed Income Research at Drexel Burnham Lambert. Mr. Deckoff has a B.S. in operations research from the Engineering School at Cornell University. Mr. Deckoff currently holds Director positions for a number of BDCM portfolio companies including Bayou Steel.



James W. Haeck has been a director of the Company since December 16, 2004. Mr. Haeck has been the Vice President of Sales and Marketing for The Universal Steel Company since September 2004. Mr. Haeck was previously President of Chemical Solvents, Inc. from September 2001 to August 2004. From June 1968 to February 2001 Mr. Haeck worked at LTV Steel Corporation. During his 32-year career at LTV Steel, Mr. Haeck rose to the level of Executive Vice President and a member of the Management Executive Committee. Mr. Haeck spent a significant amount of time in key operating, commercial, and financial roles, and headed up the human resources and industrial engineering functions at LTV Steel.

Christopher W. Parker has been a director of the Company since February 18, 2004. Mr. Parker is the President of Sycamore Capital LLC, investment company. Mr. Parker was previously a Managing Director of Dalton Investments LLC from July 2002 to January 2004. He was an investment banker with Lehman Brothers from June 1996 to June 2002. He previously served as Director of Strategic Planning / Special Assistant to the Chairman's Office of the American Stock Exchange from 1995 to 1996. Prior to this, Mr. Parker was a policy analyst for the White House Office of Management and Budget from 1991 to 1995.

Timothy A. Somers has been a director of the Company since February 18, 2004. Mr. Somers has been Senior Vice President and Portfolio Manager for Financial Management Advisors, LLC since 1996. From 1994 to 1996, Mr. Somers worked as an analyst with Schroder Wertheim Investment Services.

Thomas T. Thompson has been a director of the Company since February 18, 2004. Mr. Thompson has been Director of Restructuring for Imperial Capital since September 2003. Prior to that, he was Senior Vice President for Chanin Capital Partners from July 1996 through August 2003. He worked as an analyst with Credit Suisse First Boston until July 1996.

Richard J. Gonzalez has been Vice President, Treasurer, and Chief Financial Officer of the Company since July 1991 and Secretary of the Company since September 1994. He served as General Manager, Finance of the Company from 1987 to 1991. He has served the Company from October 1983 to 1987 in the capacities of Data Processing Manager and Assistant to the Vice President of Finance and Controller. From 1982 to 1983, he was Vice President and Chief Financial Officer of Jimco, Incorporated. Prior to that, Mr. Gonzalez was a Manager in the Consulting Division of the accounting firm of Arthur Andersen LP for nine years. Mr. Gonzalez spent three years in the U.S. Public Health Service and is a Certified Public Accountant.

Alton W. Davis has served as Vice President of Plant Operations since December 2004 and prior to that he had served the Company as Superintendent and General Foreman of the Melt Shop since 2003. Prior to that Mr. Davis served as Vice President of Operations with Sheffield Steel from 1996 through 2001. Before that Mr. Davis was Vice President and General Manager of Ameristeel's Jacksonville Steel Mill from 1986 until 1996. Mr. Davis was general Manager of Operations with Bayou Steel from 1984 through 1986 and Superintendent of Melt Shop from 1980 through 1984. Mr. Davis was General Foreman of melting with Chaparral Steel Company from 1974 until 1980. From 1971 until 1974 Mr. Davis worked in management positions with U.S. Steel Corporation and Marathon-LeTourneau, Inc.

Timothy R. Postlewait has served as Vice President Strategic Planning since December 2004 and prior to that he had served the Company as Vice President and General Manager of Plant Operations since 1987. From 1986 to 1987 he served the Company as Melt Shop Superintendent and from 1981 to 1986 as Superintendent Quality Assurance. Mr. Postlewait worked in various management positions at Chaparral Steel Company from 1977 to 1981 and at United Nuclear Corporation from 1972 to 1977.

Charles J. Theaux, Jr. has been Senior Vice President of Sales and Customer Service since May 2003. Mr. Theaux was Vice President of Information Technology and Distribution Services from December 2001 through May 2003. From December 1989 through November 2001 he served as Manager, Information Systems and from October 1984 through November 1989 he served in various computer analyst positions. Prior to joining the Company he served in the health care industry as Coordinator, Data Processing for Coliseum Medical Center.



Robert A. Pulliam has been Vice President of Technical Resources and Procurement since December 2004. Mr. Pulliam was Vice President of Human Resources and Technical Services from November 2001 through December 2004. From February 2000 until November 2001, he served as General Manager, Technical Services. From September 1994 through January 2001 he served as Manager, Environment, Health and Safety and from April 1991 through August 1994 he served as Environmental Manager of the Company. Prior to joining the Company he served in various management roles with Birmingham Steel Corporation and J.M. Foster Inc, as a general industrial contractor.

James E. Howe has been Vice President of Sales since August 2003. Prior to that Mr. Howe served as Executive Vice President and later President of J&L Structural, Inc. from 1987 through 2002. Before J&L Structural, Inc., Mr. Howe worked in various sales and management positions with LTV Corporation starting in 1968.

Kevin G. Torres has been Vice President of Mississippi River Recycling since May 2005. Mr. Torres has spent the past 18 of his 20 years with Bayou Steel Corporation assisting in developing, implementing and establishing the Company's direct scrap purchasing and scrap processing operations while holding various positions. Mr. Torres served as General Manager of Mississippi River Recycling from March 1998 to April 2005 and Manager of the Shredder Operations from October 1994 to February 1998. Before that Mr. Torres was Raw Materials Buyer at Bayou Steel Corporation from January 1987 through September 1994. Mr. Torres served in various other capacities in the Quality Assurance group upon joining the Company in August 1985.