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

FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended February 28, 2002 or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _________ to _________.

Commission file number 0-22496

SCHNITZER STEEL INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

OREGON	93-0341923
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3200 N.W. Yeon Ave. P.O Box 10047 Portland, OR	97296-0047
(Address of principal executive offices)	(Zip Code)

(503) 224-9900
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

The Registrant had 4,820,466 shares of Class A Common Stock, par value of $1.00 per share, 4,303,828 shares of Class B Common Stock, par value of $1.00 per share, outstanding at April 1, 2002.

SCHNITZER STEEL INDUSTRIES, INC.

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SCHNITZER STEEL INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEET
(In thousands, except per share amounts)

	Feb. 28, 2002 (Unaudited)	Aug. 31, 2001 (Audited)
ASSETS		
Current Assets:		
Cash	$ 14,595	$ 1,877
Accounts receivable, less allowance for doubtful accounts of $920 and $670	23,301	22,315
Accounts receivable from related parties	1,402	546
Inventories (Note 2)	77,713	89,353
Deferred income taxes	3,837	3,837
Prepaid expenses and other	5,434	4,110
Total current assets	126,282	122,038
Net property, plant and equipment	115,082	119,510
Other assets:		
Investment in and advances to joint venture partnerships	104,630	108,457
Notes receivables less current portion (Note 3)	29,827	32,018
Goodwill	38,270	39,345
Other	3,471	4,502
TOTAL ASSETS	$ 417,562	$ 425,870
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 65	$ 200
Accounts payable	18,506	15,902
Accrued payroll liabilities	5,088	6,209
Current portion of environmental liabilities	3,994	2,000
Other accrued liabilities	4,962	6,317
Total current liabilities	32,615	30,628
Deferred income taxes	28,647	30,039
Long-term debt less current portion	88,085	93,766
Environmental liabilities, net of current portion	18,654	20,915
Other long-term liabilities	2,390	2,453
Commitments and contingencies		
Shareholders' equity:		
Preferred stock--20,000 shares authorized, none issued		
Class A common stock--75,000 shares $1 par value authorized, 4,820 and 4,896 shares issued and outstanding	4,820	4,896
Class B common stock--25,000 shares $1 par value authorized, 4,304 shares issued and outstanding	4,304	4,304
Additional paid-in capital	95,025	95,923
Retained earnings	143,022	142,946
Total shareholders' equity	247,171	248,069
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 417,562	$ 425,870

The accompanying notes are an integral part of this statement.

SCHNITZER STEEL INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited, in thousands, except per share amounts)

	For The Three Months Ended Feb. 28, 2002	For The Three Months Ended Feb. 28, 2001	For The Six Months Ended Feb. 28, 2002	For The Six Months Ended Feb. 28, 2001
Revenues	$ 69,453	$ 78,536	$ 137,871	$ 158,177
Costs and expenses:				
Cost of goods sold and other operating expenses	65,661	70,995	128,756	142,311
Selling and administrative expenses	7,194	6,875	14,060	13,632
Income (loss) from wholly-owned operations	(3,402)	666	(4,945)	2,234
Income from joint ventures	4,323	2,934	9,194	4,103
Income from operations	921	3,600	4,249	6,337
Other income (expense):				
Interest expense	(558)	(1,405)	(1,335)	(2,870)
Other income (expense)	(2,046)	900	(1,677)	1,621
	(2,604)	(505)	(3,012)	(1,249)
Income (loss) before income taxes	(1,683)	3,095	1,237	5,088
Income tax (provision) benefit	629	(990)	(247)	(1,628)
Net income (loss)	$ (1,054)	$ 2,105	$ 990	$ 3,460
Basic earnings (loss) per share	$ (0.12)	$ 0.22	$ 0.11	$ 0.36
Diluted earnings (loss) per share	$ (0.12)	$ 0.22	$ 0.11	$ 0.36

The accompanying notes are an integral part of this statement.

SCHNITZER STEEL INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited, in thousands)

	Class A Common Stock		Class B Common Stock		Additional Paid-in	Retained	
	Shares	Amount	Shares	Amount	Capital	Earnings	Total
Balance at August 31, 2000	5,389	$ 5,389	4,312	$ 4,312	$ 101,840	$ 136,889	$ 248,430
Class B common stock converted to Class A common stock	8	8	(8)	(8)			
Class A common stock repurchased	(506)	(506)			(6,185)		(6,691)
Class A common stock issued	5	5			54		59
Stock options issued					214		214
Net income						7,919	7,919
Dividends paid						(1,862)	(1,862)
Balance at August 31, 2001	4,896	4,896	4,304	4,304	95,923	142,946	248,069
Class A common stock repurchased	(99)	(99)			(1,157)		(1,256)
Class A common stock issued	23	23			259		282
Net income						990	990
Dividends paid						(914)	(914)
Balance at February 28, 2002	4,820	$ 4,820	4,304	$ 4,304	$ 95,025	$ 143,022	$ 247,171

The accompanying notes are an integral part of this statement.

SCHNITZER STEEL INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited, in thousands)

	For The Six Months Ended Feb. 28, 2002	For The Six Months Ended Feb. 28, 2001
Operations:		
Net income	$ 990	$ 3,460
Noncash items included in income:		
Depreciation and amortization	9,423	9,402
Equity in income of joint ventures	(9,194)	(4,103)
Deferred income taxes	(1,392)	
(Gain) loss on disposal of assets	854	(232)
Cash provided (used) by changes in working capital:		
Accounts receivable	(323)	6,029
Inventories	11,378	3,300
Prepaid expenses	(1,329)	(526)
Accounts payable	2,604	3,231
Accrued liabilities	(2,562)	(1,302)
Environmental liabilities	1,994	
Other assets and liabilities	(690)	1,197
Net cash provided by operations	11,753	20,456
Investing:		
Capital expenditures	(4,418)	(4,358)
Cash received from joint ventures	96,128	77,298
Cash used by joint ventures	(83,063)	(74,505)
Proceeds from sale of assets	22	250
Net cash provided (used by) investments	8,669	(1,315)
Financing:		
Repurchase of Class A common stock	(1,256)	(5,866)
Issuance of Class A common stock	282	41
Dividends declared and paid	(914)	(942)
Reduction in long-term debt	(5,816)	(13,398)
Net cash used by financing	(7,704)	(20,165)
Net increase (decrease) in cash	12,718	(1,024)
Cash at beginning of period	1,877	2,407
Cash at end of period	$ 14,595	$ 1,383

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Schnitzer Steel Industries, Inc. (the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and note disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, all adjustments, consisting only of normal, recurring adjustments considered necessary for a fair presentation, have been included. Although management believes that the disclosures made are adequate to ensure that the information presented is not misleading, management suggests that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report for the fiscal year ended August 31, 2001. The results for the three and six months ended February 28, 2002 are not necessarily indicative of the results of operations for the entire year.

EARNINGS AND DIVIDENDS PER SHARE

Basic earnings per share (EPS) are computed based upon the weighted average number of common shares outstanding during the period. Diluted EPS reflect the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. The following represents a reconciliation from basic EPS to diluted EPS (in thousands, except per share amounts):

	For the Three Months Ended		For the Six Months Ended	
	Feb. 28, 2002	Feb. 28, 2001	Feb. 28, 2002	Feb. 28, 2001
Net income (loss)	$(1,054)	$ 2,105	$ 990	$ 3,460
Computation of shares:				
Average common shares outstanding	9,112	9,414	9,137	9,528
Stock options		18	39	25
Diluted average common shares outstanding	9,112	9,432	9,176	9,553
Basic EPS	$ (0.12)	$ 0.22	$ 0.11	$ 0.36
Diluted EPS	$ (0.12)	$ 0.22	$ 0.11	$ 0.36
Dividend per share	$ 0.05	$ 0.05	$ 0.10	$ 0.10

Options to purchase 1,181,000 and 723,000 shares were outstanding at February 28, 2002 and 2001, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

NOTE 2 - INVENTORIES:

Inventories consisted of the following (in thousands):

	February 28, 2002 (Unaudited)	August 31, 2001 (Audited)
Recycled metals	$ 14,622	$ 21,599
Work in process	21,212	17,600
Finished goods	28,889	36,960
Supplies	12,990	13,194
	$ 77,713	$ 89,353

NOTE 3 - RELATED PARTIES:

The Company converted $28.3 million in advances to its auto dismantling joint venture into a note receivable. The note, dated February 22, 2002, matures March 1, 2009. Interest at the prime rate less 2% is payable monthly. Principal payments are due quarterly and will be in the amount of 25% of the joint venture's net income for its most recently ended quarter. All outstanding principal and interest is due at maturity. The balance of advances to this joint venture have been reclassified as of August 31, 2001 for consistent presentation with the current year.

In the second quarter of fiscal 2002, the Company terminated two vessel charter agreements with a related company to take advantage of lower shipping rates currently available in the market, resulting in a loss of $1.5 million. This loss is included in other expense in the accompanying consolidated statement of operations.

NOTE 4 - ENVIRONMENTAL LIABILITIES:

General Metals of Tacoma (GMT), a subsidiary of the Company, owns and operates a metals recycling facility located in the State of Washington on the Hylebos Waterway, a part of Commencement Bay, which is the subject of an ongoing environmental investigation and remediation project by the U.S. Environmental Protection Agency (EPA) under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). GMT and more than 60 other parties were named potentially responsible parties (PRPs) for the investigation and clean-up of contaminated sediment along the Hylebos Waterway. On March 25, 2002, EPA issued Unilateral Administrative Orders (UAOs) to GMT and another party to proceed with Remedial Design and Remedial Action (RD/RA) for the head of the Hylebos and to two other parties to proceed with the RD/RA for the balance of the waterway. It is anticipated that the UAOs will be converted to more specific voluntary consent decrees following further negotiations among EPA, GMT, and other PRPs, and that EPA will take additional action against other PRPs. The issuance of the UAOs did not require the Company to change its previously recorded estimate of environmental liabilities for this site, as reflected on the accompanying consolidated balance sheet. Significant uncertainties continue to exist regarding the total cost to remediate this site as well as the Company's share of those costs; nevertheless, the Company's estimate of its liabilities related to this site is based on information currently available.

Between 1977 and 1987, MRI Corporation (MRI), a wholly owned subsidiary of Proler International Corp. (Proler), which in turn is a wholly owned subsidiary of the Company, operated a tin can shredding and detinning facility in Tampa, Florida. In 1989 and 1992, the EPA conducted preliminary site investigations of this property and, in December 1996, added the site to the "National Priorities List". MRI and Proler, along with several other parties, were named as PRPs for the site by the EPA. In March 2002, MRI paid the EPA $375,000 pursuant to a voluntary consent decree in full settlement of its and Proler's obligations with respect to the remediation of this site. In a related action, MRI transferred the property to another PRP which has agreed to perform the remediation and indemnify MRI and Proler against any further liability. The $375,000 payment was covered by the Company's existing environmental liability reserve.

Metals Recycling LLC (Metals) is a scrap metals processing business with locations in Rhode Island and Massachusetts. The members of Metals are one of the Company's Proler joint ventures and Metals Recycling, Inc. On March 15, 2002, the Rhode Island Department of Environmental Management (DEM) issued a Notice of Violation (NOV) against Metals' Johnston, Rhode Island facility, alleging violations of provisions of the Rhode Island Clean Air Act and the regulations promulgated thereunder, and seeking to impose financial penalties of $1.1 million against Metals. On April 5, 2002, Metals filed its answer and request for a hearing, in which it denied liability for such alleged violations.

NOTE 5 - SEGMENT INFORMATION:

The Company operates in two industry segments: metal processing and recycling (Metals Recycling Business) and mini-mill steel manufacturing (Steel Manufacturing Business). Additionally, the Company is a partner in joint ventures, which are in the metals recycling business or which are suppliers of unprocessed metals. The Company considers these joint ventures to be separate business segments because they are managed separately. These joint ventures are accounted for using the equity method. As such, the operating information provided below related to the joint ventures is shown separately from consolidated information, except for the Company's equity in the income from the joint ventures.

The information provided below is obtained from internal information that is provided to the Company's chief operating decision-makers for the purpose of corporate management. The Company does not allocate corporate interest income and expense, income taxes or other income and expenses related to corporate activity to its operating segments. Assets and capital expenditures are not shown for the joint ventures as management does not use that information to allocate resources or assess performance.

Revenues from external customers for the Company's wholly-owned operations are as follows (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	Feb. 28, 2002	Feb. 28, 2001	Feb. 28, 2002	Feb. 28, 2001
Metals Recycling Business	$45,568	$52,469	$ 87,209	$ 96,218
Steel Manufacturing Business	32,107	39,110	66,893	85,430
Intersegment revenues	(8,222)	(13,043)	(16,231)	(23,471)
Consolidated revenues	$69,453	$78,536	$137,871	$158,177

The joint ventures' revenues from external customers are as follows (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	Feb. 28, 2002	Feb. 28, 2001	Feb. 28, 2002	Feb. 28, 2001
Joint Ventures in the Metals Recycling Business	$113,234	$127,920	$230,816	$220,816
Joint Venture Suppliers of Metals	14,665	12,155	28,804	28,072
Total revenues	$127,899	$140,075	$259,620	$248,888

The Company's income (loss) from operations is as follows (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	Feb. 28, 2002	Feb. 28, 2001	Feb. 28, 2002	Feb. 28, 2001
Metals Recycling Business	$ 600	$ 2,083	$ 1,546	$ 4,447
Steel Manufacturing Business	(2,116)	638	(2,388)	1,663
Joint Ventures in the Metals Recycling Business	3,707	2,313	7,406	2,799
Joint Venture Suppliers of Metals	616	621	1,788	1,304
Corporate expense	(1,933)	(2,225)	(4,026)	(4,670)
Eliminations	47	170	(77)	794
Consolidated income from operations	$ 921	$ 3,600	$ 4,249	$ 6,337

Income from operations generated by the joint ventures represents the Company's equity in the income or loss of these entities.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company operates in two industry segments. The Company's Metals Recycling Business collects, processes and recycles steel scrap through its facilities located on the West Coast, with major facilities in Oakland, California, Portland, Oregon, and Tacoma, Washington. The Company's Steel Manufacturing Business operates a mini-mill near Portland, Oregon, which produces finished steel products and maintains two mill depots in Southern California and one in Central California. Additionally, the Company is a partner in joint ventures that are either in the metals recycling business or are suppliers of unprocessed metals.

RESULTS OF OPERATIONS

The Company's revenues and operating results by business segment are summarized below (in thousands):

	For the Three Months Ended Feb. 28, 2002	For the Three Months Ended Feb. 28, 2001	For the Six Months Ended Feb. 28, 2002	For the Six Months Ended Feb. 28, 2001
		(Unaudited)		
REVENUES:				
Metals Recycling Business:				
Ferrous sales	$ 34,850	$ 41,725	$ 65,416	$ 72,893
Nonferrous sales	8,553	9,234	18,246	20,943
Other sales	2,165	1,510	3,547	2,382
Total sales	45,568	52,469	87,209	96,218
Ferrous sales to Steel Manufacturing Business	(8,222)	(13,043)	(16,231)	(23,471)
Steel Manufacturing Business	32,107	39,110	66,893	85,430
Total	$ 69,453	$ 78,536	$137,871	$158,177
INCOME FROM OPERATIONS:				
Metals Recycling Business	$ 600	$ 2,083	$ 1,546	$ 4,447
Steel Manufacturing Business	(2,116)	638	(2,388)	1,663
Joint Ventures in the Metals Recycling Business	3,707	2,313	7,406	2,799
Joint Venture Suppliers of Metals	616	621	1,788	1,304
Corporate expense	(1,933)	(2,225)	(4,026)	(4,670)
Intercompany eliminations	47	170	(77)	794
Total	$ 921	$ 3,600	$ 4,249	$ 6,337
NET INCOME (LOSS)	$ (1,054)	$ 2,105	$ 990	$ 3,460

The Company's joint ventures' revenues and results of operations were as follows (in thousands):

	For the Three Months Ended Feb. 28, 2002	For the Three Months Ended Feb. 28, 2001	For the Six Months Ended Feb. 28, 2002	For the Six Months Ended Feb. 28, 2001
	(Unaudited)			
Total revenues from external customers recognized by:				
Joint Ventures in the Metals Recycling Business	$113,234	$127,920	$230,816	$220,816
Joint Venture Suppliers of Metals	14,665	12,155	28,804	28,072
	$127,899	$140,075	$259,620	$248,888
Income from joint ventures recognized by the Company from:				
Joint Ventures in the Metals Recycling Business	$ 3,707	$ 2,313	$ 7,406	$ 2,799
Joint Venture Suppliers of Metals	616	621	1,788	1,304
	$ 4,323	$ 2,934	$ 9,194	$ 4,103

The following table summarizes certain selected operating data for the Company and its joint venture businesses:

	For the Three Months Ended Feb. 28, 2002	For the Three Months Ended Feb. 28, 2001	For the Six Months Ended Feb. 28, 2002	For the Six Months Ended Feb. 28, 2001
SHIPMENTS (in thousands):	(Unaudited)			
METALS RECYCLING BUSINESS:				
Ferrous recycled metal (long tons):				
To Steel Manufacturing Business	98	147	191	260
To other unaffiliated domestic customers	17	33	23	117
To export customers	286	271	535	408
Total ferrous recycled metal	401	451	749	785
Nonferrous metal (pounds)	24,100	25,300	53,300	55,400
STEEL MANUFACTURING BUSINESS				
Finished steel products (net tons)	117	134	241	294
JOINT VENTURES IN THE METALS RECYCLING BUSINESS				
Ferrous recycled metal (long tons)	891	991	1,785	1,539

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. This provides a basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and these differences may be material.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

INVENTORIES
Inventories are stated at the lower of cost or market. Cost is determined using FIFO (first-in, first-out) and average cost methods. The production and accounting process utilized by the Company to record recycled metals inventory quantities relies on significant estimates, which can be affected by weight imprecisions, moisture and other factors.

REVENUE RECOGNITION
The Company recognizes revenue when it has a contract or purchase order from a customer with a fixed price, the title and risk of loss transfer to the buyer and collectibility is reasonably assured. Title for both recycled metals and finished steel products transfers upon shipment.

ENVIRONMENTAL COSTS
The estimated future costs for known environmental remediation requirements are accrued on an undiscounted basis when it is probable that the Company has incurred a liability and the related costs can be reasonably estimated. When only a range of amounts is established, and no amount within the range is better than another, the minimum amount of the range is recorded. Adjustments to the liabilities are made when additional information becomes available that affects the estimated costs to remediate. Recoveries of environmental remediation costs from other parties are recorded as assets when collection is probable.

DEFERRED TAXES
Deferred income taxes reflect the differences between the financial reporting and tax bases of assets and liabilities at year-end based on enacted tax laws and statutory tax rates. Tax credits are recognized as a reduction of income tax expense in the year the credit arises. A valuation allowance is established when necessary to reduce deferred tax assets to the amount more likely than not to be realized.

SECOND QUARTER FISCAL 2002 VS. SECOND QUARTER FISCAL 2001
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REVENUES. Consolidated revenues for the three months ended February 28, 2002 decreased $9.1 million (12%) from the same period last year. The lower revenues were primarily attributed to lower sales volumes and lower average selling prices for both the Steel Manufacturing Business and the Metals Recycling Business.

During the quarter ended February 28, 2002, revenues for the Metals Recycling Business, before intercompany eliminations, decreased $6.9 million (13%), which was attributed to lower ferrous shipping volumes and a lower average ferrous sales price per ton. Ferrous and nonferrous sales volumes decreased by 11% and 5%, respectively, from the prior year quarter. The average sales prices for ferrous and nonferrous metals decreased by $4 per ton (5%) to $88 per ton and $0.01 per pound (3%) to $0.35 per pound, respectively, from the second quarter of fiscal 2001. The lower ferrous sales volumes were caused by decreased domestic sales to both external customers and the Steel Manufacturing Business due to the slower U.S. economy. Compared with the second quarter of fiscal 2001, domestic sales to external customers decreased 16,000 tons (48%) to 17,000 tons and sales to the Steel Manufacturing Business decreased 49,000 tons (33%) to 98,000 tons. The lower domestic sales were partially offset by higher export sales volumes. Export sales increased 15,000 tons (5%) to 286,000 tons in the second quarter of fiscal 2002 compared with the second quarter of fiscal 2001. Demand from Asia remained firm, but the timing of export shipments was also a factor in the higher export volumes. A typical export shipment averages 25,000 to 30,000 tons. As a result, timing of one shipment can have a material impact on quarterly sales volume.

The Steel Manufacturing Business' revenues for the three months ended February 28, 2002 decreased $7.0 million (18%), to $32.1 million from the prior year quarter, reflecting both lower average selling prices and volumes. Finished steel shipments decreased 17,000 tons (13%) to 117,000 tons and the average finished steel selling price decreased $16 per ton (6%) to $275 per ton compared with the same quarter last year. The lower selling prices and sales volumes were a result of competition from lower cost imports as well as decreased demand due to the slowing U.S. economy. On March 6, 2002, President Bush announced tariffs on certain imported steel products which compete in the Company's West Coast markets. Two major products, rebar and merchant bar, will have tariffs imposed of 15% and 30%, respectively. The tariffs will be in effect for three years, but will decline each year during that period. Additionally, on April 3, 2002, the U.S. Commerce Department announced a preliminary determination that steel wire rod from seven countries is being sold in the U.S. market below fair value. The Commerce Department has imposed preliminary antidumping duties on wire rod imports from these countries. Final duties will be announced later this year.

COST OF GOODS SOLD. Consolidated cost of goods sold decreased $5.3 million (8%) for the three months ended February 28, 2002, compared with the same period last year. Cost of goods sold increased as a percentage of revenues from 90% to 95%, which contributed to a $3.7 million decrease in gross margin during the latest quarter as compared to the prior year quarter

During the second quarter of fiscal 2002, the Metals Recycling Business' cost of goods sold decreased $6.0 million (13%) over the prior year quarter. Cost of goods sold as a percentage of revenues was consistent with the second quarter of fiscal 2001 at 89%. Gross profit decreased by $0.9 million to $5.0 million. The decrease in gross margins was attributable to lower sales volume and lower average selling prices. Compared with the second quarter of last year, the average ferrous metals cost of sales per ton decreased $2 per ton (3%), but was more than offset by the lower average sales price per ton. Though average ferrous purchase prices during the second quarter of fiscal 2002 were slightly lower than the second quarter of fiscal 2001, the Metals Recycling Business still faced increased competition in the Pacific Northwest. This price competition continued to adversely affect ferrous metal purchase prices and compress profit margins.

For the three months ended February 28, 2002, cost of goods sold for the Steel Manufacturing Business decreased $4.2 million (11%) compared to the same period last year and increased as a percentage of revenues from 96% to 104%. Cost of goods sold per ton increased $6 (2%) to $286 per ton. In the second quarter of fiscal 2002, the negative gross margin was ($1.3) million compared with a gross profit of $1.5 million in the second quarter of last year. Margins were lower compared with the second quarter of last year due to a lower average sales price per ton and higher average cost of goods sold per ton caused by fixed costs being spread over fewer production tons as the mill curtailed production in response to the decrease in demand. Also, there was an increase of nearly 40% in the average electricity rate paid per kilowatt hour. The mill continued to try to offset this higher rate by production efficiency and taking advantage of lower off-peak electricity rates.

JOINT VENTURES. The Joint Ventures in the Metals Recycling Business predominantly sell recycled ferrous metal. Revenues for this segment in the second quarter of fiscal 2002 were lower than the prior year quarter primarily due to lower domestic sales. The average selling prices for ferrous recycled metal decreased by 6% from the second quarter of last year. Also, sales volume for the quarter ended February 28, 2002 decreased 100,000 tons to 891,000 tons compared with the same quarter in the prior year.

The Company's equity in income from its Joint Ventures in the Metals Recycling Business for the second quarter of fiscal 2002 increased to $3.7 million from $2.3 million in the second quarter of fiscal 2001. The increase in income from these joint ventures, despite lower sales prices and volumes, was primarily caused by the Joint Ventures' successful efforts to reduce the cost of unprocessed inventory and improve operational efficiencies, significantly increasing their operating margins.

Revenues from the Joint Venture Suppliers of Recycled Metals increased $2.5 million during the second quarter of fiscal 2002 as compared to the second quarter of last year. For the three months ended February 28, 2002 and 2001, the Company's equity in income from these joint ventures was $0.6 million.

SELLING AND ADMINISTRATIVE EXPENSES. Overall, selling and administrative expenses increased $0.3 million during the second quarter of fiscal 2002 compared with the same quarter last year. The increase was attributable to higher commission expense on ferrous export sales. Also, salary expense rose because the Company took over one of its joint ventures late in fiscal 2001, which resulted in reporting its results within each financial line item. Previously, the Company picked up its respective share of income or loss in the Income From Joint Ventures line item.

In the quarter ended February 28, 2002, corporate expense decreased $0.3 million compared with the same period last year. The higher cost last year was primarily due to the costs incurred during 2001 associated with the implementation of the Economic Value Added (EVA(R)) financial and compensation system.

INTEREST EXPENSE. Interest expense for the second quarter of fiscal 2002 decreased $0.8 million to $0.6 million compared with the second quarter of fiscal 2001. The decrease was primarily a result of lower average borrowings due to decreased working capital levels and lower average interest rates.

OTHER INCOME (EXPENSE). In the second quarter of fiscal 2002, other income decreased $2.9 million compared with the second quarter of fiscal 2001. The decrease was primarily due to a loss of $1.5 million related to the early termination of two vessel charter agreements with a related company (see "Related Parties" discussion below) and a $0.8 million loss on the sale of a non-strategic steel forging business that was part of a 1995 Metals Recycling Business acquisition.

INCOME TAX PROVISION. In the second quarter of fiscal 2002, it was determined that the Company qualified for certain tax credits in the State of California aggregating $1.6 million. These credits do not expire and can be used to offset California state income taxes. Accordingly, the tax provision was adjusted for the quarter to reflect a year-to-date effective tax rate of 20%, which resulted in a tax benefit of 37% compared with a tax expense of 32% in the prior year second quarter.

FIRST HALF OF FISCAL 2002 VS. FIRST HALF OF FISCAL 2001

REVENUES. Consolidated revenues for the six months ended February 28, 2002 decreased $20.3 million (13%) from the same period last year. The lower revenues were primarily attributed to decreased sales volumes for both the Metals Recycling Business and the Steel Manufacturing Business, as well as lower average sales prices.

During the six months ended February 28, 2002, revenues for the Metals Recycling Business, before intercompany eliminations, decreased $9.0 million (9%), which was attributed to lower shipping volumes coupled with lower average sales prices. Ferrous and nonferrous sales volumes decreased by 5% and 4%, respectively, from the same period in the prior year. Average sales prices for ferrous and nonferrous metals were $6 per ton (6%) and $0.04 per pound (9%) lower, respectively, than the first half of fiscal 2001. Ferrous sales volumes decreased by 36,000 tons (5%) because domestic sales to external customers and the Company's Steel Manufacturing Business declined as markets softened due to the slowing U.S. economy. This decrease was partially offset by a 31% increase in export sales volume. The Portland, Oregon yard, which historically sells the majority of its ferrous scrap metal to the Company's Steel Manufacturing Business, had three export sales during the six months ended February 28, 2002, compared with none during the same period of fiscal 2001. Firm foreign demand, especially from Asia, also contributed.

The Steel Manufacturing Business' revenues for the six months ended February 28, 2002 decreased $18.5 million (22%), to $66.9 million, from the first half of the prior year. Finished steel shipments decreased 53,000 tons (18%) and the average finished steel selling price declined $13 per ton (4%). The decrease in sales volume was primarily due to the slowdown in the U.S. economy and continued competition from lower priced imported finished steel products. Nearly half of the volume decrease was from wire rod, reflecting the strong import competition. The decrease in the average selling price was also indicative of the slowing U.S. economy and competition from the lower priced steel imports. On March 6, 2002, President Bush announced tariffs on certain imported steel products which compete in the Company's West Coast markets. Two major products, rebar and merchant bar, will have tariffs imposed of 15% and 30%, respectively. The tariffs will be in effect for three years, but will decline each year during the tariff period. Additionally, on April 3, 2002, the U.S. Commerce Department announced a preliminary determination that steel wire rod from seven countries is being sold in the U.S. market below fair value. The Commerce Department has imposed preliminary antidumping duties on wire rod imports from these countries. Final duties will be announced later this year.

COST OF GOODS SOLD. Consolidated cost of goods sold decreased by $13.6 million (10%) for the six months ended February 28, 2002, compared with the same period last year. Cost of goods sold increased as a percentage of revenues from 90% to 93%, compared with the first half of fiscal 2001, which contributed to a $6.8 million decline in gross profit.

During the first six months of fiscal 2002, the Metals Recycling Business' cost of goods sold decreased $7.3 million over the prior year. The cost of goods sold as a percentage of revenues increased from 88% for the first half of fiscal 2001 to 89% during the first half of fiscal 2002, contributing to a decrease in gross profit. This decrease in gross margin in the first six months of fiscal 2002 was partially attributable to lower average ferrous metals selling prices per ton due to lower worldwide demand for ferrous metals, though demand from Asia, especially China, remained firm. The lower average selling prices per ton were partially offset by a $3 per ton (4%) decrease in the average ferrous metals cost of sales per ton. Domestic prices were also lower due to the general economic slowdown in the U.S. Local competition for the purchase of ferrous metals in the Pacific Northwest continued to impact the cost of sales, also directly affecting overall gross margin.

During the first six months of fiscal 2002, cost of goods sold for the Steel Manufacturing Business decreased $14.4 million compared to the same period last year and increased as a percentage of revenues from 96% to 101%. Gross profit decreased from $3.4 million to a negative $0.8 million compared with the first half of last year. A lower average sales price per ton coupled with higher production costs per ton, compared with the first six months of fiscal 2001, caused the average cost of goods sold per ton to increase $2 per ton (1%) to $281 per ton, further eroding margins. This was primarily due to continued mill curtailments, which increased production costs per ton as fixed costs were spread over fewer production tons.

JOINT VENTURES. For the six months ended February 28, 2002, revenues for Joint Ventures in the Metals Recycling Business increased by $10.0 million from the first six months of last year. The increase was primarily due to higher sales volumes for ferrous metals, which were partially offset by lower average ferrous per ton sales price. The higher sales volumes were caused primarily by increasing focus on reducing the level of investment in inventories. Income recognized from these joint ventures increased by $4.6 million over the first six months of fiscal 2001 to $7.4 million. The increase in income from these joint ventures, despite lower sales prices and volumes, was primarily caused by the Joint Ventures' successful efforts to reduce the cost of unprocessed inventory and improve operational efficiencies, significantly increasing their operating margins.

Revenues of Joint Venture Suppliers of Metal increased from $28.1 million to $28.8 million due to higher selling prices and increased project revenue. Year-to-date, the Company's equity in income from these joint ventures increased to $1.8 million from $1.3 million for the previous year.

SELLING AND ADMINISTRATIVE EXPENSES. Overall, selling and administrative expenses rose $0.4 million year-to-date compared with the same period last year. Higher commission expenses related to ferrous export sales predominantly drove the increase. Additionally, salary expense increased because the Company took over one of its joint ventures late in fiscal 2001, which resulted in reporting its results within each financial line item. Previously, the Company picked up its respective share of income or loss in the Income From Joint Ventures line item.

For the six months ended February 28, 2002, corporate expense decreased $0.6 million compared with the same period last year. This decrease was primarily due to the costs associated with the implementation of the Economic Value Added (EVA(R)) financial and compensation system paid in the first half of fiscal 2001.

INTEREST EXPENSE. For the six months ended February 28, 2002, interest expense decreased $1.5 million to $1.3 million compared with the same period last year. The decrease was a result of lower average borrowings due to decreased working capital levels and lower average interest rates.

OTHER INCOME (EXPENSE). In the first half of fiscal 2002, other income decreased $3.3 million compared with the first half of fiscal 2001. The decrease was partially attributable to a loss of $1.5 million recorded in fiscal 2002 related to the termination of two vessel charter agreements with a related party. Additionally, the Company recognized a non-cash loss of $0.8 million on the sale of a non-strategic steel forging business that was part of a 1995 Metals Recycling Business acquisition (see "Related Parties" discussion below). Finally, fiscal 2002 year-to-date interest income was lower because of lower interest rates.

INCOME TAX PROVISION. The income tax rate used for the first half of fiscal 2002 was 20% compared with 32% for the first half of fiscal 2001. In the second quarter of fiscal 2002, it was determined that the Company qualified for certain tax credits in the State of California aggregating $1.6 million. The tax credits, which do not expire and can be utilized to offset California income taxes, are responsible for the decline in tax rate.

RELATED PARTIES. The Company enters into financial transactions with certain of its joint venture partnerships and other companies in which shareholders of the Company or their relatives own significant interests as discussed below.

- One related company, a shipping agent, arranges ship charters for the Metals Recycling Business' recycled ferrous metal export shipments. The charters can be with ships owned by a related company or with independently owned ships. The Company pays market rates for all charters.

  In the second quarter of fiscal 2002 the Company terminated two vessel charter agreements with a related company. These agreements were entered into in the mid-1990s for the purpose of hedging ocean shipping rates. Current ocean shipping rates are $7 to $8 per ton lower than the all-in contracted rates. Thus, the Company decided to terminate these charters to take advantage of these lower rates currently available in the market. The Company has no remaining vessel charter agreements with the related company.

- The Company purchases recycled metals in the form of auto bodies from its self-service auto dismantling joint venture. The Company negotiates prices monthly, based on market conditions, to purchase a significant portion of the joint venture's inventory. This provides a consistent and predictable flow of raw material to the Company's Oakland, California export facility;

- The Company leases certain land and buildings from a related real estate company under operating leases. Lease amounts are market rates and are adjusted every three years, with the exception of the Metals Recycling Business's Portland, Oregon facility. The rent for that facility will be adjusted in 2003 and every 15 years thereafter to market rates. In 2008 and every five years thereafter, except in the year of a market rate adjustment, the rent will be adjusted based on the Consumer and Producer Price Indices;

- The Company performs some administrative services and provides operation and maintenance of information systems for certain related parties. These services are charged to the related parties based upon cost plus a 15% margin for overhead.

- The Company converted $28.3 million in advances to its auto dismantling joint venture into a note receivable. The note, dated February 22, 2002, matures March 1, 2009. Interest is payable monthly and is calculated at prime rate less 2%. Principal payments are made quarterly and will be in the amount of 25% of the joint venture's net income for the quarter just ended. All outstanding principal and interest is due at maturity.

- The Company funds 30 to 50% of the working capital needs of the Schnitzer-Neu joint ventures. These joint ventures remit cash to the Company as it is available.

LIQUIDITY AND CAPITAL RESOURCES. Cash provided by operations for the six months ended February 28, 2002 was $11.8 million, compared with $20.5 million for the first half of fiscal 2001. The decrease in cash flow was primarily due to a decrease in income from the Company's wholly-owned operations.

Capital expenditures for the six months ended February 28, 2002 and 2001 were $4.4 million. The Company expects to spend approximately $5.0 million on capital projects during the remainder of fiscal 2002.

As a result of acquisitions completed in prior years, the Company had $22.6 million of accrued environmental liabilities as of February 28, 2002. The Company expects to require significant future cash outlays as it incurs the actual costs relating to the remediation of such environmental liabilities.

As of February 28, 2002, the Company had committed unsecured revolving lines of credit totaling $200 million maturing in 2003. The Company also had additional unsecured lines of credit of $40 million, which were uncommitted. In the aggregate, the Company had borrowings outstanding under these lines totaling $80 million at February 28, 2002. The Company's debt agreements have certain restrictive covenants. As of February 28, 2002, the Company was in compliance with such covenants.

The Company has certain contractual obligations and commercial commitments to make future payments. The following table summarizes these future obligations and commitments as of February 28, 2002 (in thousands):

	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt	$ 88,150	$ 65	$ 80,184	$ 201	$ 7,700
Operating leases	100,322	1,263	5,836	3,509	89,714
Letters of credit	5,800	5,800			
Total	$194,272	$ 7,128	$ 86,020	$ 3,710	$ 97,414

Pursuant to a stock repurchase program the Company is authorized to repurchase up to 3.0 million shares of its stock when the market price of the Company's stock is not reflective of management's opinion of an appropriate valuation of the stock. Management believes that repurchasing shares under these conditions enhances shareholder value. During the first six months of fiscal 2002, the Company repurchased 99,000 shares for $1.3 million. As of February 28, 2002, the Company had repurchased a total of 1.3 million shares under this program.

The Company believes that its current cash balance, internally generated funds and existing credit facilities will provide adequate financing for capital expenditures, working capital, stock repurchases, and debt service requirements for the next twelve months. In the longer term, the Company may seek to finance business expansion, including potential acquisitions, with additional borrowing arrangements or additional equity financing.

The principal sources of liquidity are cash flows from the sales of processed recycled metals by its Metals Recycling Business and the sales of finished steel products by its Steel Manufacturing Business. For the Metals Recycling Business, cash flows from sales are subject to market price changes for both the purchase of unprocessed recycled metals and the sale of processed recycled metals. The current economic upturn in the U.S., and to a lesser extent worldwide, is leading to higher prices for purchases and sales of metals. The Steel Manufacturing Business is subject to sales price market risk from both domestic and foreign makers. The Steel Manufacturing Business is not a market leader and, consequently must make price changes consistent with the larger producing market leaders. Also, foreign producers sell their products in the U.S. at prices lower than the major domestic producers, taking away market share. On March 6, 2002, President Bush announced tariffs on certain imported steel products which compete in the Company's West Coast markets. Two major products, rebar and merchant bar, will have tariffs imposed of 15% and 30%, respectively. The tariffs will be in effect for three years, but will decline each year during the tariff period. Additionally, on April 3, 2002, the U.S. Commerce Department announced a preliminary determination that steel wire rod from seven countries is being sold in the U.S. market below fair value. The Commerce Department has imposed preliminary antidumping duties on wire rod imports from these countries. Final duties will be announced later this year. Also, see Factors That Could Affect Future Results below.

OUTLOOK. The Metals Recycling Business is seeing prices for recycled metals begin to rise and demand continue to remain solid. Export prices for recycled ferrous metals are expected to be modestly higher in the third quarter compared with the second quarter. Sales volumes should approximate those of the second quarter. The Company anticipates results for the Steel Manufacturing Business will increase due to normal seasonal increases in construction demand, recently announced average price increases of $10 per ton for rebar and wire rod and $15 per ton for merchant bar, and the impact of the import tariffs mentioned earlier. On a consolidated level, the Company will benefit from the previously mentioned tax credits from the State of California, which should reduce the fiscal 2002 effective tax rate to approximately 20%. Based upon current information, the Company expects that third quarter of 2002 results will generate net income in the $0.20 to $0.30 per share range.

FACTORS THAT COULD AFFECT FUTURE RESULTS. Management's Discussion and Analysis of Financial Condition and Results of Operations, particularly the Outlook section appearing immediately above, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934 that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. One can generally identify these forward-looking statements because they contain "expect", "believe", and other words which convey a similar meaning. One can also identify these statements as they do not relate strictly to historical or current facts. Examples of factors affecting Schnitzer Steel Industries, Inc.'s wholly-owned operations and its joint ventures (the Company) that could cause actual results to differ materially are the following:

CYCLICALITY AND GENERAL MARKET CONSIDERATIONS: Selling prices for recycled metals are highly cyclical in nature and subject to worldwide economic conditions. In addition, the cost and availability of recycled metals are subject to volatile supply and demand conditions beyond the Company's control, resulting in periodic fluctuations in recycled metals prices. While the Company attempts to maintain margins by responding to changing recycled metals selling prices through adjustments to its metals purchase prices, the Company's ability to do so is limited by competitive factors as well as the impact of lower prices on the volume of scrap available to the Company. Moreover, increases in recycled metals prices can adversely affect the operating results of the Company's Steel Manufacturing Business because increases in steel prices generally lag increases in ferrous recycled metals prices.

The steel industry is also highly cyclical in nature and sensitive to general economic conditions. Future economic downturns or a stagnant economy may adversely affect the performance of the Company.

The Company expects to continue to experience seasonal fluctuations in its revenues and net income. Revenues can fluctuate significantly quarter to quarter due to factors such as the seasonal slowdown in the construction industry, which is an important buyer of the Company's finished steel products. The timing and extent of the slowdown is also dependent on the weather.

The Company makes a number of large ferrous recycled metals shipments to foreign steel producers each year. Customer requirements, shipping schedules and other factors limit the Company's control over the timing of these shipments. Variations in the number of foreign shipments from quarter to quarter will result in fluctuations in quarterly revenues and earnings. The Company's expectations regarding ferrous metal sales prices and volumes, as well as earnings, are based in part on the assumption that orders from customers for larger shipments are not cancelled or delayed.

COMPETITION: The recycled metals industry is highly competitive, with the volume of purchases and sales subject to a number of competitive factors, principally price. The Company has competition from both large and numerous smaller companies in its markets for the purchase of recyclable metals. The Company competes with a number of U.S. and foreign recycled metals processors for sales to foreign customers.

The domestic steel industry also is highly competitive. Steel prices can be highly volatile and price is a significant competitive factor. The Company competes with several steel producers in the western U.S. for sales of its products. In addition, in recent years, the Company has experienced significant foreign competition, which is often subsidized by large government agencies. On March 6, 2002, President Bush announced tariffs on certain imported steel products which compete in the Company's West Coast markets. Two major products, rebar and merchant bar, will have tariffs imposed of 15% and 30%, respectively. The tariffs will be in effect for three years, but will decline each year during that period. Additionally, on April 3, 2002, the U.S. Commerce Department announced a preliminary determination that steel wire rod from seven countries is being sold in the U.S. market below fair value. The Commerce Department has imposed preliminary antidumping duties on wire rod imports from these countries. Final duties will be announced later this year.

JOINT VENTURES: The Company has significant investments in joint venture companies. The Company does not manage the day-to-day activities of these businesses. As a result, it does not have the same ability to control the operations and related financial results as it does with its wholly owned businesses. These businesses are, however, impacted by many of the same risk factors mentioned above. Therefore, it is difficult to predict the financial results of these businesses.

ENERGY SUPPLY: The Company and its joint ventures utilize various energy sources to operate their facilities. In particular, electricity and natural gas currently represent approximately 10% of the cost of steel manufactured for the Company's Steel Manufacturing Business. The Steel Manufacturing Business purchases hydroelectric power under long-term contracts from government sources which rely on the Bonneville Power Administration (BPA). Historically, these contracts have had favorable prices and are long-term in nature. The Company has a contract that expires in September 2006. The BPA increased rates as much as 46% as of October 1, 2001. Rates will be adjusted by the BPA every six months from then forward. It is not possible to predict future rate changes.

The Steel Manufacturing Business also has long-term contracts for natural gas. In October 2000, the Company entered into a new contract, which is set to expire on October 31, 2002. The latest contract negotiations resulted in rates that were 30% higher then the previous agreement. As this contract comes to an end, the Company will attempt to negotiate a new long-term contract; however, it is not possible to predict the terms of the contract.

The inability of the Company to negotiate favorable terms of electricity, natural gas and other energy sources could adversely affect the performance of the Company.

One should understand that it is not possible to predict or identify all factors that could cause actual results to differ from the Company's forward-looking statements. Consequently, the reader should not consider any such list to be a complete statement of all potential risks or uncertainties. Further, the Company does not assume any obligation to update any forward-looking statement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company periodically uses derivative financial instruments to limit exposure to changes in interest rates. Because such derivative instruments are used solely as hedges and not for speculative trading purposes, they do not represent incremental risk to the Company. For further discussion of derivative financial instruments, refer to "FAIR VALUE OF FINANCIAL INSTRUMENTS" in the consolidated Financial Statements included in Item 8 of Form 10-K for the fiscal year ended August 31, 2001.

PART II

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The 2002 annual meeting of the shareholders was held on January 28, 2002. Holders of 4,559,506 shares of the Company's Class A common stock, entitled to one vote per share, and 4,303,828 shares of the Company's Class B common stock, entitled to ten votes per share, were present in person or by proxy at the meeting.

(b) Leonard Schnitzer, Robert W. Philip, Kenneth M. Novack, Gary Schnitzer, Dori Schnitzer, Carol S. Lewis, Scott Lewis, Jean S. Reynolds, Robert S. Ball, William A. Furman, and Ralph R. Shaw were elected directors of the Company.

(c) The meeting was called for the following purposes:

1. To elect Leonard Schnitzer, Robert W. Philip, Kenneth M. Novack, Gary Schnitzer, Dori Schnitzer, Carol S. Lewis, Scott Lewis, Jean S. Reynolds, Robert S. Ball, William A. Furman, and Ralph R. Shaw as directors of the Company.

   This proposal was approved as follows:

	Votes For	Votes Withheld
Leonard Schnitzer	46,160,874	1,436,912
Robert W. Philip	46,160,894	1,436,892
Kenneth M. Novack	46,156,539	1,441,247
Gary Schnitzer	46,160,874	1,436,912
Dori Schnitzer	47,130,334	467,452
Carol S. Lewis	47,130,234	467,552
Scott Lewis	47,129,779	468,007
Jean S. Reynolds	47,130,199	467,587
Robert S. Ball	47,125,914	471,872
William A. Furman	47,130,114	467,672
Ralph R. Shaw	47,130,114	467,672

2. To approve and ratify the proposed Amendment to the 1993 Stock Incentive Plan

   This proposal was approved by the stockholders with 44,268,661 votes cast for and 2,561,804 votes cast against. There were 6,145 abstentions and 761,175 broker non-votes.

3. To approve and ratify the appointment of PricewaterhouseCoopers LLP as the independent auditors of the Corporation.

   This proposal was approved by the stockholders with 47,583,330 votes cast for, 12,376 votes cast against, and 2,080 abstentions.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K:

(a) Exhibits

10.1 1993 Stock Incentive Plan of the Registrant.

(b) Reports on Form 8-K

None

SCHNITZER STEEL INDUSTRIES, INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SCHNITZER STEEL INDUSTRIES, INC.
(Registrant)

Date: April 15, 2002

By:/s/ Barry A. Rosen

Barry A. Rosen
Vice President, Finance

EXHIBIT 10.1

SCHNITZER STEEL INDUSTRIES, INC.
1993 STOCK INCENTIVE PLAN*

1. PURPOSE. The purpose of this 1993 Stock Incentive Plan (the "Plan") is to enable Schnitzer Steel Industries, Inc. (the "Company") to attract and retain the services of (1) selected employees, officers and directors of the Company or of any subsidiary of the Company and (2) selected nonemployee consultants and advisors to the Company.

2. SHARES SUBJECT TO THE PLAN. Subject to adjustment as provided below and in paragraph 13, the shares to be offered under the Plan shall consist of Class A Common Stock of the Company, and the total number of shares of Class A Common Stock that may be issued under the Plan shall not exceed 2,400,000 shares. The shares issued under the Plan may be authorized and unissued shares or reacquired shares. If an option, stock appreciation right or performance unit granted under the Plan expires, terminates or is cancelled, the unissued shares subject to such option, stock appreciation right or performance unit shall again be available under the Plan. If shares sold or awarded as a bonus under the Plan are forfeited to the Company or repurchased by the Company, the number of shares forfeited or repurchased shall again be available under the Plan.

3. EFFECTIVE DATE AND DURATION OF PLAN.

(a) Effective Date. The Plan shall become effective when adopted by the Board of Directors; provided, however, that prior to shareholder approval of the Plan, any awards shall be subject to and conditioned on approval of the Plan by a majority of the votes cast at a shareholders meeting at which a quorum is present. Options, stock appreciation rights and performance units may be granted and shares may be awarded as bonuses or sold under the Plan at any time after the effective date and before termination of the Plan.

(b) Duration. The Plan shall continue in effect until all shares available for issuance under the Plan have been issued and all restrictions on such shares have lapsed. The Board of Directors may suspend or terminate the Plan at any time except with respect to options, performance units and shares subject to restrictions then outstanding under the Plan. Termination shall not affect any outstanding options, any right of the Company to repurchase shares or the forfeitability of shares issued under the Plan.

4. ADMINISTRATION. The Plan shall be administered by a committee of the Board of Directors of the Company (the "Committee"), which shall determine and designate from time to time the individuals to whom awards shall be made, the amount of the awards, and the other terms and conditions of the awards. Subject to the provisions of the Plan, the Committee may from time to time adopt and amend rules and regulations relating to administration of the Plan, advance the lapse of any waiting period, accelerate any exercise date, waive or modify any restriction applicable to shares (except those restrictions imposed by law) and make all other determinations in the judgment of the Committee necessary or desirable for the administration of the Plan. The interpretation and construction of the provisions of the Plan and related agreements by the Committee shall be final and conclusive. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any related agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect, and it shall be the sole and final judge of such expediency.

5. TYPES OF AWARDS; ELIGIBILITY. The Committee may, from time to time, take the following actions, separately or in combination, under the Plan: (i) grant Incentive Stock Options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as provided in paragraphs 6(a) and 6(b); (ii) grant options other than Incentive Stock Options ("Non-Statutory Stock Options") as provided in paragraphs 6(a) and 6(c); (iii) award stock bonuses as provided in paragraph 7; (iv) sell shares subject to restrictions as provided in paragraph 8; (v) grant stock appreciation rights as provided in paragraph 9; (vi) grant cash bonus rights as provided in paragraph 10; (vii) grant performance units as provided in paragraph 11 and (viii) grant foreign qualified awards as provided in paragraph 12. Any such awards may be made to employees, including employees who are officers or directors, and to other individuals described in paragraph 1 who the Committee believes have made or will make an important contribution to the Company or its subsidiaries; provided, however, that only employees of the Company shall be eligible to receive Incentive Stock Options under the Plan. The Committee shall select the individuals to whom awards shall be made and shall specify the action taken with respect to each individual to whom an award is made. At the discretion of the Committee, an individual may be given an election to surrender an award in exchange for the grant of a new award. No employee may be granted options or stock appreciation rights under the Plan for more than 100,000 shares of Class A Common Stock in any calendar year.

6. OPTION GRANTS.

(a) GENERAL RULES RELATING TO OPTIONS.

(i) TERMS OF GRANT. The Committee may grant options under the Plan. With respect to each option grant, the Committee shall determine the number of shares subject to the option, the option price, the period of the option, the time or times at which the option may be exercised and whether the option is an Incentive Stock Option or a Non-Statutory Stock Option. At the time of the grant of an option or at any time thereafter, the Committee may provide that an optionee who exercised an option with Class A Common Stock of the Company shall automatically receive a new option to purchase additional shares equal to the number of shares surrendered and may specify the terms and conditions of such new options.

(ii) EXERCISE OF OPTIONS. Except as provided in paragraph 6(a)(iv) or as determined by the Committee, no option granted under the Plan may be exercised unless at the time of such exercise the optionee is employed by or in the service of the Company or any subsidiary of the Company and shall have been so employed or provided such service continuously since the date such option was granted. Absence on leave or on account of illness or disability under rules established by the Committee shall not, however, be deemed an interruption of employment or service for this purpose. Unless otherwise determined by the Committee, vesting of options shall not continue during an absence on leave (including an extended illness) or on account of disability. Except as provided in paragraphs 6(a)(iv) and 13, options granted under the Plan may be exercised from time to time over the period stated in each option in such amounts and at such times as shall be prescribed by the Committee, provided that options shall not be exercised for fractional shares. Unless otherwise determined by the Committee, if the optionee does not exercise an option in any one year with respect to the full number of shares to which the optionee is entitled in that year, the optionee's rights shall be cumulative and the optionee may purchase those shares in any subsequent year during the term of the option.

(iii) NONTRANSFERABILITY. Except as provided below, each stock option granted under the Plan by its terms shall be nonassignable and nontransferable by the optionee, either voluntarily or by operation of law, and each option by its terms shall be exercisable during the optionee's lifetime only by the optionee. A stock option may be transferred by will or by the laws of descent and distribution of the state or country of the optionee's domicile at the time of death. A Non-Statutory Stock Option shall also be transferable pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act. The Committee may, in its discretion, authorize all or a portion of a Non-Statutory Stock Option to be on terms which permit transfer by the optionee to (A) the spouse, children or grandchildren of the optionee, including stepchildren and adopted children ("Immediate Family Members"), (B) a trust or trusts for the exclusive benefit of Immediate Family Members, or (C) a partnership or limited liability company in which Immediate Family Members are the only partners or members, provided that (X) there may be no consideration for any transfer, (Y) the stock option agreement pursuant to which the options are granted or an amendment thereto must expressly provide for transferability in a manner consistent with this paragraph, and (Z) subsequent transfers of transferred options shall be prohibited except by will or by the laws of descent and distribution. Following any transfer, options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of paragraphs 6(a)(v) and 13 the term "optionee" shall be deemed to refer to the transferee. The continued employment requirement of paragraph 6(a)(ii) and the events of termination of employment of paragraph 6(a)(iv) shall continue to be applied with respect to the original optionee, and following the termination of employment of the original optionee the options shall be exercisable by the transferee only to the extent, and for the periods specified, and all other references to employment, termination of employment, life or death of the optionee, shall continue to be applied with respect to the original optionee.

(iv) TERMINATION OF EMPLOYMENT OR SERVICE.

(A) GENERAL RULE. Unless otherwise determined by the Committee, in the event the employment or service of the optionee with the Company or a subsidiary terminates for any reason other than because of physical disability, death or retirement as provided in subparagraphs 6(a)(iv)(B), (C) and (D), the option may be exercised at any time prior to the expiration date of the option or the expiration of 30 days after the date of such termination, whichever is the shorter period, but only if and to the extent the optionee was entitled to exercise the option at the date of such termination.

(B) TERMINATION BECAUSE OF TOTAL DISABILITY. Unless otherwise determined by the Committee, in the event of the termination of employment or service because of total disability, the option may be exercised at any time prior to the expiration date of the option or the expiration of 12 months after the date of such termination, whichever is the shorter period, but only if and to the extent the optionee was entitled to exercise the option at the date of such termination. The term "total disability" means a mental or physical impairment which is expected to result in death or which has lasted or is expected to last for a continuous period of 12 months or more and which causes the optionee to be unable, in the opinion of the Company and two independent physicians, to perform his or her duties as an employee, director, officer or consultant of the Company and to be engaged in any substantial gainful activity. Total disability shall be deemed to have occurred on the first day after the Company and the two independent physicians have furnished their opinion of total disability to the Company.

(C) TERMINATION BECAUSE OF DEATH. Unless otherwise determined by the Committee, in the event of the death of an optionee while employed by or providing service to the Company or a subsidiary, the option may be exercised at any time prior to the expiration date of the option or the expiration of 12 months after the date of such death, whichever is the shorter period, but only if and to the extent the optionee was entitled to exercise the option at the date of such termination and only by the person or persons to whom such optionee's rights under the option shall pass by the optionee's will or by the laws of descent and distribution of the state or country of domicile at the time of death.

(D) TERMINATION BECAUSE OF RETIREMENT. Unless otherwise determined by the Committee, in the event of the termination of employment or service because of (1) normal retirement after reaching age 65, (2) early retirement after reaching age 55 and completing 10 years of service, or (3) early retirement after completing 30 years of service without regard to age, the option may be exercised at any time prior to the expiration date of the option or the expiration of 12 months after the date of such termination, whichever is the shorter period, but only if and to the extent the optionee was entitled to exercise the option at the date of such termination.

(E) AMENDMENT OF EXERCISE PERIOD APPLICABLE TO TERMINATION. The Committee, at the time of grant or at any time thereafter, may extend the 30-day and 12-month exercise periods any length of time not later than the original expiration date of the option, and may increase the portion of an option that is exercisable, subject to such terms and conditions as the Committee may determine.

(F) FAILURE TO EXERCISE OPTION. To the extent that the option of any deceased optionee or of any optionee whose employment or service terminates is not exercised within the applicable period, all further rights to purchase shares pursuant to such option shall cease and terminate.

(v) PURCHASE OF SHARES. Unless the Committee determines otherwise, shares may be acquired pursuant to an option granted under the Plan only upon receipt by the Company of notice in writing from the optionee of the optionee's intention to exercise, specifying the number of shares as to which the optionee desires to exercise the option and the date on which the optionee desires to complete the transaction, and if required in order to comply with the Securities Act of 1933, as amended, containing a representation that it is the optionee's present intention to acquire the shares for investment and not with a view to distribution. Unless the Committee determines otherwise, on or before the date specified for completion of the purchase of shares pursuant to an option, the optionee must have paid the Company the full purchase price of such shares in cash (including, with the consent of the Committee, cash that may be the proceeds of a loan from the Company) or, with the consent of the Committee, in whole or in part, in Class A Common Stock of the Company valued at fair market value, restricted stock, performance units or other contingent awards denominated in either stock or cash, deferred compensation credits, promissory notes and other forms of consideration. The fair market value of Class A Common Stock provided in payment of the purchase price shall be the closing price of the Class A Common Stock as reported in The Wall Street Journal on the trading day preceding the date the option is exercised, or such other reported value of the Class A Common Stock as shall be specified by the Committee. No shares shall be issued until full payment therefor has been made. With the consent of the Committee, an optionee may request the Company to apply automatically the shares to be received upon the exercise of a portion of a stock option (even though stock certificates have not yet been issued) to satisfy the purchase price for additional portions of the option. Each optionee who has exercised an option shall immediately upon notification of the amount due, if any, pay to the Company in cash amounts necessary to satisfy any applicable federal, state and local tax withholding requirements. If additional withholding is or becomes required beyond any amount deposited before delivery of the certificates, the optionee shall pay such amount to the Company on demand. If the optionee fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the optionee, including salary, subject to applicable law. With the consent of the Committee an optionee may satisfy this obligation, in whole or in part, by having the Company withhold from the shares to be issued upon the exercise that number of shares that would satisfy the withholding amount due or by delivering to the Company Class A Common Stock to satisfy the withholding amount. Upon the exercise of an option, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares issued upon exercise of the option.

(b) INCENTIVE STOCK OPTIONS. Incentive Stock Options shall be subject to the following additional terms and conditions:

(i) LIMITATION ON AMOUNT OF GRANTS. No employee may be granted Incentive Stock Options under the Plan if the aggregate fair market value, on the date of grant, of the Class A Common Stock with respect to which Incentive Stock Options are exercisable for the first time by that employee during any calendar year under the Plan and under any other incentive stock option plan (within the meaning of Section 422 of the Code) of the Company or any parent or subsidiary of the Company exceeds $100,000.

(ii) LIMITATIONS ON GRANTS TO 10 PERCENT SHAREHOLDERS. An Incentive Stock Option may be granted under the Plan to an employee possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or of any parent or subsidiary of the Company only if the option price is at least 110 percent of the fair market value of the Class A Common Stock subject to the option on the date it is granted, as described in paragraph 6(b)(iv), and the option by its terms is not exercisable after the expiration of five years from the date it is granted.

(iii) DURATION OF OPTIONS. Subject to paragraphs 6(a)(ii) and 6(b)(ii), Incentive Stock Options granted under the Plan shall continue in effect for the period fixed by the Committee, except that no Incentive Stock Option shall be exercisable after the expiration of 10 years from the date it is granted.

(iv) OPTION PRICE. The option price per share shall be determined by the Committee at the time of grant. Except as provided in paragraph 6(b)(ii), the option price shall not be less than 100 percent of the fair market value of the Class A Common Stock covered by the Incentive Stock Option at the date the option is granted. The fair market value shall be deemed to be the closing price of the Class A Common Stock as reported in The Wall Street Journal on the day preceding the date the option is granted, or if there has been no sale on that date, on the last preceding date on which a sale occurred, or such other value of the Class A Common Stock as shall be specified by the Committee.

(v) LIMITATION ON TIME OF GRANT. No Incentive Stock Option shall be granted on or after the tenth anniversary of the last action by the Board of Directors approving an increase in the number of shares available for issuance under the Plan, which action was subsequently approved within 12 months by the shareholders.

(vi) CONVERSION OF INCENTIVE STOCK OPTIONS. The Committee may at any time without the consent of the optionee convert an Incentive Stock Option to a Non-Statutory Stock Option.

(c) Non-Statutory Stock Options. Non-Statutory Stock Options shall be subject to the following additional terms and conditions:

(i) OPTION PRICE. The option price for Non-Statutory Stock Options shall be determined by the Committee at the time of grant and may be any amount determined by the Committee.

(ii) DURATION OF OPTIONS. Non-Statutory Stock Options granted under the Plan shall continue in effect for the period fixed by the Committee.

7. STOCK BONUSES. The Committee may award shares under the Plan as stock bonuses. Shares awarded as a bonus shall be subject to the terms, conditions, and restrictions determined by the Committee. The restrictions may include restrictions concerning transferability and forfeiture of the shares awarded, together with such other restrictions as may be determined by the Committee. The Committee may require the recipient to sign an agreement as a condition of the award, but may not require the recipient to pay any monetary consideration other than amounts necessary to satisfy tax withholding requirements. The agreement may contain any terms, conditions, restrictions, representations and warranties required by the Committee. The certificates representing the shares awarded shall bear any legends required by the Committee. The Company may require any recipient of a stock bonus to pay to the Company in cash upon demand amounts necessary to satisfy any applicable federal, state or local tax withholding requirements. If the recipient fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the recipient, including salary or fees for services, subject to applicable law. With the consent of the Committee, a recipient may deliver Class A Common Stock to the Company to satisfy this withholding obligation. Upon the issuance of a stock bonus, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares issued.

8. RESTRICTED STOCK. The Committee may issue shares under the Plan for such consideration (including promissory notes and services) as determined by the Committee. Shares issued under the Plan shall be subject to the terms, conditions and restrictions determined by the Committee. The restrictions may include restrictions concerning transferability, repurchase by the Company and forfeiture of the shares issued, together with such other restrictions as may be determined by the Committee. All Class A Common Stock issued pursuant to this paragraph 8 shall be subject to a purchase agreement, which shall be executed by the Company and the prospective recipient of the shares prior to the delivery of certificates representing such shares to the recipient. The purchase agreement may contain any terms,

conditions, restrictions, representations and warranties required by the Committee. The certificates representing the shares shall bear any legends required by the Committee. The Company may require any purchaser of restricted stock to pay to the Company in cash upon demand amounts necessary to satisfy any applicable federal, state or local tax withholding requirements. If the purchaser fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the purchaser, including salary, subject to applicable law. With the consent of the Committee, a purchaser may deliver Class A Common Stock to the Company to satisfy this withholding obligation. Upon the issuance of restricted stock, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares issued.

9. STOCK APPRECIATION RIGHTS.

(a) GRANT. Stock appreciation rights may be granted under the Plan by the Committee, subject to such rules, terms, and conditions as the Committee prescribes.

(b) EXERCISE.

(i) Each stock appreciation right shall entitle the holder, upon exercise, to receive from the Company in exchange therefor an amount equal in value to the excess of the fair market value on the date of exercise of one share of Class A Common Stock of the Company over its fair market value on the date of grant (or, in the case of a stock appreciation right granted in connection with an option, the excess of the fair market value of one share of Class A Common Stock of the Company over the option price per share under the option to which the stock appreciation right relates), multiplied by the number of shares covered by the stock appreciation right or the option, or portion thereof, that is surrendered. Payment by the Company upon exercise of a stock appreciation right may be made in Class A Common Stock valued at fair market value, in cash, or partly in Class A Common Stock and partly in cash, all as determined by the Committee.

(ii) A stock appreciation right shall be exercisable only at the time or times established by the Committee. If a stock appreciation right is granted in connection with an option, the following rules shall apply: (1) the stock appreciation right shall be exercisable only to the extent and on the same conditions that the related option could be exercised; (2) upon exercise of the stock appreciation right, the option or portion thereof to which the stock appreciation right relates terminates; and (3) upon exercise of the option, the related stock appreciation right or portion thereof terminates.

(iii) The Committee may withdraw any stock appreciation right granted under the Plan at any time and may impose any conditions upon the exercise of a stock appreciation right or adopt rules and regulations from time to time affecting the rights of holders of stock appreciation rights. Such rules and regulations may govern the right to exercise stock appreciation rights granted prior to adoption or amendment of such rules and regulations as well as stock appreciation rights granted thereafter.

(iv) For purposes of this paragraph 9, the fair market value of the Class A Common Stock shall be the closing price of the Class A Common Stock as reported in The Wall Street Journal, or such other reported value of the Class A Common Stock as shall be specified by the Committee, on the trading day preceding the date the stock appreciation right is exercised.

(v) No fractional shares shall be issued upon exercise of a stock appreciation right. In lieu thereof, cash may be paid in an amount equal to the value of the fraction or, if the Committee shall determine, the number of shares may be rounded downward to the next whole share.

(vi) Each stock appreciation right granted in connection with an Incentive Stock Option and, unless otherwise determined by the Board of Directors, each other stock appreciation right granted under the Plan by its terms shall be nonassignable and nontransferable by the holder, either voluntarily or by operation of law, except by will or by the laws of descent and distribution of the state or country of the holder's domicile at the time of death, and each stock appreciation right by its terms shall be exercisable during the holder's lifetime only by the holder; provided, however, that a stock appreciation right not granted in connection with an Incentive Stock Option shall also be transferable pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act.

(vii) Each participant who has exercised a stock appreciation right shall, upon notification of the amount due, pay to the Company in cash amounts necessary to satisfy any applicable federal, state and local tax withholding requirements. If the participant fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the participant including salary, subject to applicable law. With the consent of the Committee a participant may satisfy this obligation, in whole or in part, by having the Company withhold from any shares to be issued upon the exercise that number of shares that would satisfy the withholding amount due or by delivering Class A Common Stock to the Company to satisfy the withholding amount.

(viii) Upon the exercise of a stock appreciation right for shares, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares issued. Cash payments of stock appreciation rights shall not reduce the number of shares of Class A Common Stock reserved for issuance under the Plan.

10. CASH BONUS RIGHTS.

(a) GRANT. The Committee may grant cash bonus rights under the Plan in connection with (i) options granted or previously granted, (ii) stock appreciation rights granted or previously granted, (iii) stock bonuses awarded or previously awarded and (iv) shares sold or previously sold under the Plan. Cash bonus rights will be subject to rules, terms and conditions as the Committee may prescribe. Unless otherwise determined by the Committee, each cash bonus right granted under the Plan by its terms shall be nonassignable and nontransferable by the holder, either voluntarily or by operation of law, except by will or by the laws of descent and distribution of the state or country of the holder's domicile at the time of death or pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act. The payment of a cash bonus shall not reduce the number of shares of Class A Common Stock reserved for issuance under the Plan.

(b) CASH BONUS RIGHTS IN CONNECTION WITH OPTIONS. A cash bonus right granted in connection with an option will entitle an optionee to a cash bonus when the related option is exercised (or terminates in connection with the exercise of a stock appreciation right related to the option) in whole or in part. If an optionee purchases shares upon exercise of an option and does not exercise a related stock appreciation right, the amount of the bonus shall be determined by multiplying the excess of the total fair market value of the shares to be acquired upon the exercise over the total option price for the shares by the applicable bonus percentage. If the optionee exercises a related stock appreciation right in connection with the termination of an option, the amount of the bonus shall be determined by multiplying the total fair market value of the shares and cash received pursuant to the exercise of the stock appreciation right by the applicable bonus percentage. The bonus percentage applicable to a bonus right shall be determined from time to time by the Committee but shall in no event exceed 75 percent.

(c) CASH BONUS RIGHTS IN CONNECTION WITH STOCK BONUS. A cash bonus right granted in connection with a stock bonus will entitle the recipient to a cash bonus payable when the stock bonus is awarded or restrictions, if any, to which the stock is subject lapse. If bonus stock awarded is subject to restrictions and is repurchased by the Company or forfeited by the holder, the cash bonus right granted in connection with the stock bonus shall terminate and may not be exercised. The amount and timing of payment of a cash bonus shall be determined by the Committee.

(d) CASH BONUS RIGHTS IN CONNECTION WITH STOCK PURCHASES. A cash bonus right granted in connection with the purchase of stock pursuant to paragraph 8 will entitle the recipient to a cash bonus when the shares are purchased or restrictions, if any, to which the stock is subject lapse. Any cash bonus right granted in connection with shares purchased pursuant to paragraph 8 shall terminate and may not be exercised in the event the shares are repurchased by the Company or forfeited by the holder pursuant to applicable restrictions. The amount and timing of payment of a cash bonus shall be determined by the Committee.

(e) TAXES. The Company shall withhold from any cash bonus paid pursuant to paragraph 10 the amount necessary to satisfy any applicable federal, state and local withholding requirements.

11. PERFORMANCE UNITS. The Committee may grant performance units consisting of monetary units which may be earned in whole or in part if the Company achieves certain goals established by the Committee over a designated period of time, but not in any event more than 10 years. The goals established by the Committee may include earnings per share, return on shareholders' equity, return on invested capital, and such other goals as may be established by the Committee. In the event that the minimum performance goal established by the Committee is not achieved at the conclusion of a period, no payment shall be made to the participants. In the event the maximum corporate goal is achieved, 100 percent of the monetary value of the performance units shall be paid to or vested in the participants. Partial achievement of the maximum goal may result in a payment or vesting corresponding to the degree of achievement as determined by the Committee. Payment of an award earned may be in cash or in Class A Common Stock or in a combination of both, and may be made when earned, or vested and deferred, as the Committee determines. Deferred awards shall earn interest on the terms and at a rate determined by the Committee. Unless otherwise determined by the Committee, each performance unit granted under the Plan by its terms shall be nonassignable and nontransferable by the holder, either voluntarily or by operation of law, except by will or by the laws of descent and distribution of the state or country of the holder's domicile at the time of death or pursuant to a qualified domestic relations order as defined under the Code or Title I of the Employee Retirement Income Security Act. Each participant who has been awarded a performance unit shall, upon notification of the amount due, pay to the Company in cash amounts necessary to satisfy any applicable federal, state and local tax withholding requirements. If the participant fails to pay the amount demanded, the Company may withhold that amount from other amounts payable by the Company to the participant, including salary or fees for services, subject to applicable law. With the consent of the Committee a participant may satisfy this obligation, in whole or in part, by having the Company withhold from any shares to be issued that number of shares that would satisfy the withholding amount due or by delivering Class A Common Stock to the Company to satisfy the withholding amount. The payment of a performance unit in cash shall not reduce the number of shares of Class A Common Stock reserved for issuance under the Plan. The number of shares reserved for issuance under the Plan shall be reduced by the number of shares issued upon payment of an award.

12. FOREIGN QUALIFIED GRANTS. Awards under the Plan may be granted to such officers and employees of the Company and its subsidiaries and such other persons described in paragraph 1 residing in foreign jurisdictions as the Committee may determine from time to time. The Committee may adopt such supplements to the Plan as may be necessary to comply with the applicable laws of such foreign jurisdictions and to afford participants favorable treatment under such laws; provided, however, that no award shall be granted under any such supplement with terms which are more beneficial to the participants than the terms permitted by the Plan.

13. CHANGES IN CAPITAL STRUCTURE. If the outstanding Class A Common Stock of the Company is hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, plan of exchange, recapitalization, reclassification, stock split-up, combination of shares or dividend payable in shares, appropriate adjustment shall be made by the Committee in the number and kind of shares available for awards under the Plan. In addition, the Committee shall make appropriate adjustment in the number and kind of shares as to which outstanding options and stock appreciation rights, or portions thereof then unexercised, shall be exercisable, so that the optionee's proportionate interest before and after the occurrence of the event is maintained. Notwithstanding the foregoing, the Committee shall have no obligation to effect any adjustment that would or might result in the issuance of fractional shares, and any fractional shares resulting from any adjustment may be disregarded or provided for in any manner determined by the Committee. Any such adjustments made by the Committee shall be conclusive. In the event of dissolution of the Company or a merger, consolidation or plan of exchange affecting the Company, in lieu of providing for options and stock appreciation rights as provided above in this paragraph 13 or in lieu of having the options and stock appreciation rights continue unchanged, the Committee may, in its sole discretion, provide a 30-day period prior to such event during which optionees shall have the right to exercise options and stock appreciation rights in whole or in part without any limitation on exercisability and upon the expiration of which 30-day period all unexercised options and stock appreciation rights shall immediately terminate.

14. CORPORATE MERGERS, ACQUISITIONS, ETC. The Committee may also grant options, stock appreciation rights, performance units, stock bonuses and cash bonuses and issue restricted stock under the Plan having terms, conditions and provisions that vary from those specified in this Plan provided that any such awards are granted in substitution for, or in connection with the assumption of, existing options, stock appreciation rights, stock bonuses, cash bonuses, restricted stock and performance units granted, awarded or issued by another corporation and assumed or otherwise agreed to be provided for by the Company pursuant to or by reason of a transaction involving a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation to which the Company or a subsidiary is a party.

15. AMENDMENT OF PLAN. The Board of Directors may at any time, and from time to time, modify or amend the Plan in such respects as it shall deem advisable because of changes in the law while the Plan is in effect or for any other reason. Except as provided in paragraphs 6(a)(iv), 9 and 13, however, no change in an award already granted shall be made without the written consent of the holder of such award.

16. APPROVALS. The obligations of the Company under the Plan are subject to the approval of state and federal authorities or agencies with jurisdiction in the matter. The Company will use its best efforts to take steps required by state or federal law or applicable regulations, including rules and regulations of the Securities and Exchange Commission and any stock exchange on which the Company's shares may then be listed, in connection with the grants under the Plan. The foregoing notwithstanding, the Company shall not be obligated to issue or deliver Class A Common Stock under the Plan if such issuance or delivery would violate applicable state or federal securities laws.

17. EMPLOYMENT AND SERVICE RIGHTS. Nothing in the Plan or any award pursuant to the Plan shall (i) confer upon any employee any right to be continued in the employment of the Company or any subsidiary or interfere in any way with the right of the Company or any subsidiary by whom such employee is employed to terminate such employee's employment at any time, for any reason, with or without cause, or to decrease such employee's compensation or benefits, or (ii) confer upon any person engaged by the Company any right to be retained or employed by the Company or to the continuation, extension, renewal, or modification of any compensation, contract, or arrangement with or by the Company.

18. RIGHTS AS A SHAREHOLDER. The recipient of any award under the Plan shall have no rights as a shareholder with respect to any Class A Common Stock until the date of issue to the recipient of a stock certificate for such shares. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date occurs prior to the date such stock certificate is issued.