



SACRAMENTO UPDATE

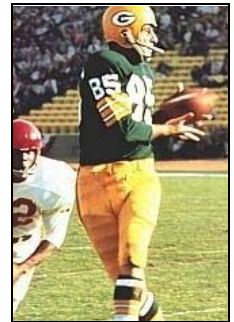
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The Importance of the CMC Transition and Growth for 2006

In 1970, the **National Football League (NFL)** merged with the **American Football League (AFL)** to produce sport history's most popular and powerful football league. The NFL brought its methodical, grind-it-out brand of football to the AFL's more exciting, wide-open game, with long passes, reverses, and two-point conversions. The merger paved the way for a new era of prosperity never before seen by either organization.



Transitions and mergers are natural—and many times necessary—whether it is in business, sport, or industry organizations. Starting 2006, the **California Cast Metals Association (CCMA)** and **California Metals Coalition (CMC)** will effectively merge their lobbying forces under the CMC. The CCMA has been lobbying in Sacramento since 1977 and has a considerable track-record in California. This transition means additional companies, outreach and fundraising capabilities for the CMC.



Beginning 2006, CMC will be the largest statewide metalworking coalition lobbying for California metalworking businesses on state and local issues. Your company's continued financial and institutional support for CMC's lobbying fuels our rapid growth. And by reaching out to your colleagues, CMC's grassroots movement increases our presence and effectiveness in Sacramento.

Now we stand on the verge of 2006 and can say California's metalworking industry is prepared for both its short-term *and* long-term lobbying future.

Continued retention of the **California Metals Coalition (CMC)** to perform your lobbying services in 2006 is a wise investment. By uniting with industry colleagues under a single statewide lobbying organization, your company joins the voices of California's greater metalworking industry to fight our battles in Sacramento. Thank you for your overall support and we look forward to a successful 2006!



Sacramento Prepares for 2006 with Same Fervor and Scrutiny

2006 is an election year, so be ready for your elected officials in Sacramento to guard their territories and future. Fundraising, banner issues, and political posturing will be at its highest since the November 2006 election includes all levels of government, most notably the Governor's seat.

Behind the scenes, elected officials are coordinating donors, endorsements, and sharpening their knowledge of voters. They are keenly aware of the political whirlwind that began with the recall of Davis and continued with last month's special election. In order to survive and prosper, alliances will be made and casualties will be expended.

Regulatory issues that impact your company's bottom line will be decided in Sacramento. Impacting those decisions with the most favorable outcome for our industry will be the focus of CMC's lobbying efforts.



There are many challenges that will expectedly arise in 2006, and those which we will address as they are created. Below is an analysis of what to expect in 2006:



- **WORKERS' COMP:** Reform of the workers' compensation system is currently working in our favor. But do not be surprised when our opposition tries to drive the system back in their direction. In 2005, Assembly Floor Leader Fabian Nunez (D-46) held all bills addressing workers' comp at his desk. His staff is reviewing these bills and preparing analysis for 2006. CMC will be working closely with our business allies in major battles, and then impact the individual votes of those officials where our industry resides and which we have the greatest influence.
- **STORMWATER PERMIT:** In 2005, your lobbyists worked diligently to push back a draft permit that would have significantly increased costs for your company. The California state water board has created a special panel to explore the issue of effluent limits for the new storm water permit. A new permit is already overdue. Expect this battle to heat-up again in 2006 as environmentalists, attorneys, and business groups work to shape the new permit.
- **INFRASTRUCTURE BOND:** The big bond everyone expects to occur in 2006 will address California's ailing infrastructure. How this bond is funded and who pays for it will be one of our primary concerns. Also, we will look to push public-private partnerships using California's metalworking products to rebuild California.
- **CAL-OSHA SILICA P.E.L.:** Cal-OSHA began exploration of greatly reducing the Permissible Exposure Limit for silica. Any further reduction of the current PEL would have an impact on metal casting facilities. Your lobbyists will continue to keep a close watch on this important issue.
- **ESTABLISHING A MANUFACTURING CZAR:** California's manufacturing sector is still very alive, and is recently strengthening. Having an appointed official in Sacramento pressing the issues of manufacturing is a beneficial action for our industry. CMC will be lobbying and networking for a California manufacturing czar to be established in California.
- **PREPARING FOR THE UNEXPECTED:** The beauty and frustration with democracy is that it can always be changed, tweaked, or overhauled. More specifically, new issues can arise with a simple idea or influence. With your continued financial and institutional support, CMC's lobbyists will continue its government relations services and special interest work for your industry and your company.



Why the Uproar Over Susan Kennedy Was So Loud

The chief-of-staff for any elected official is the “manager” of the team. The elected official—Governor Schwarzenegger—is always the team owner, but major decisions are conducted by the chief-of-staff.

Governor Schwarzenegger will begin 2006 with chief-of-staff **Susan Kennedy**. Ms. Kennedy’s resume includes a lifelong Democrat, often liberal, and former aide to Governor Davis. In several previous accounts, CMC’s lobbyists battled against Ms. Kennedy.



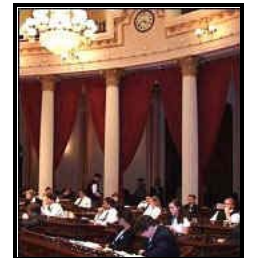
The metalworking industry received a private briefing from two top Republicans in Sacramento at the December 8th CMC Regional Meeting in Downey. **Assemblyman Ray Haynes (R-66)** and **Assemblyman Bob Huff (R-60)** addressed our group and the issue of Susan Kennedy.

There was the obvious issue of having a liberal Democrat as the Republican governor’s chief-of-staff, but the issue obviously went deeper than her background. As an example, her background was far less important to Republican leader **Senator Tom McClintock (R-19)** who said as long as Schwarzenegger stays on his path of reform, “I don’t care if he’s got Charlie Manson on the payroll.”

What truly caused the Republican party to squirm is that the chief-of-staff can sit in on all party planning meetings. So when the Republicans meet to discuss strategy, voting, or even raising of funds, the chief-of-staff can attend.

But **Assembly Republican Leader Kevin McCarthy (R-32)** has dismissed this concern stating that “I don’t remember Pat Clarey (Schwarzenegger previous Republican chief-of-staff) sitting in on party strategy sessions.” McCarthy also dismissed any notion that the party will drop its endorsement of Arnold for Governor in 2006.

In similar news, the Governor continued to shuffle his deck by replacing Democrat positions in his cabinet with Republicans. Democrat **Terry Tamminen** will be demoted from cabinet secretary to an advisor. **Fred Aguiar**, a former Republican Assemblyman will take his position. Also, **Dan Dunmoyer**, a Republican insurance lobbyist, was hired by the Governor as a deputy for devising policy.



The outcome of this recent uprising will only be decided by the Governor’s policy decisions. CMC will continue to work with the Governor and lobby for outcomes that benefit our industry in 2006.

**HAPPY NEW YEAR &
HOLIDAY WISHES
FROM EVERYONE
AT CMC!**

