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Wheeling-Pitt to buy CSN assets

By VICKI SMITH

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MORGANTOWN, W.Va. (AP) - Wheeling Pittsburgh Steel Corp. on Wednesday signed an agreement to buy the North American assets of Brazilian steelmaker Companhia Siderurgica Nacional SA (CSN) despite some shareholders' objections.

The agreement must still be approved by shareholders in a vote that is not expected until January. And shareholders have a chance to reject the plan at the Nov. 17 annual meeting in Wheeling, W. Va., where they will be asked to choose between Bradley's team and a competing board of directors.

Wheeling-Pitt, an independent steelmaker that has survived two bankruptcies, wants to merge with CSN, while its union supports a takeover attempt by Esmark Inc., an Illinois-based steel service center proposing its own slate of directors.

Esmark CEO James P. Bouchard said he was not surprised to learn that Wheeling-Pitt has ignored the United Steelworkers union and others who oppose the merger.

"By taking this action, the board of directors and executive management has once again revealed their lack of business judgment and disregard for the shareholders, employees and retirees of Wheeling-Pitt by entering into a shotgun marriage," he said. "Shotgun weddings don't work."

David McCall, director of United Steelworkers District 1 in Columbus, Ohio, was in a meeting Wednesday and did not immediately comment. The union, however, has vowed to fight the CSN merger. Under its contract, the union has the right to reject any deal that changes controlling interest in the company.

The plan to combine Wheeling-Pitt with CSN was announced in August.

CSN would have a 49.5 percent stake the new company, while Wheeling-Pitt would control the other 50.5 percent.

The structuring of the deal calls for a \$225 million, 9 percent interest loan that would convert to 11.8 million shares, or 64 percent of the new company, if the union approves. Should the union reject CSN's ownership, the \$225 million becomes debt.

Wheeling-Pitt argues the deal generates much-needed capital for upgrades and ensures a steady stream of slab, the thick bars of steel that are rolled into other products. The union, however, contends the deal piles more debt onto an overburdened company.

Earlier this month, a group of investors who control 9.5 percent of Wheeling-Pitt stock urged the steelmaker to abandon its plan to merge with CSN, remain an independent producer and replace its senior managers.

Tontine Management LLC and its affiliates said neither of two competing offers for the struggling West Virginia steelmaker offers sufficient value to shareholders.

Tontine managing member Jeffrey L. Gendell told Wheeling-Pitt that if it were to launch a stock offering to current shareholders only, his investors would be prepared to buy as much as \$100 million worth. That would help the struggling Wheeling-Pitt raise much-needed capital on its own, without a merger and without diluting shareholder value.

The company said at the time it would "begin a more active dialogue" with Gendell, and Bradley said Wednesday he would continue to talk with shareholders, whose input he welcomes.

"Our board has demonstrated its open-mindedness in creating value for our shareholders and has repeatedly shown its commitment to evaluating all strategic options, including remaining independent," Bradley said. "The board has concluded that the combination with CSN represents a compelling opportunity at this time. "

Gendell did not immediately return a telephone message Wednesday.

Shares of Wheeling-Pitt lost 11 cents at \$19.83 in afternoon trading on the Nasdaq.