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## **Esmark tries to sway shareholders with new Wheeling-Pitt offer**

By VICKI SMITH

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MORGANTOWN, W.Va. (AP) - Esmark Inc. sweetened its bid Thursday to take over Wheeling Pittsburgh Corp., announcing it would ask a new board of directors to issue \$200 million in new stock to existing shareholders at a discounted price, rather than just buying out current investors.

The announcement from the Illinois-based steel supplier is a response to concerns from some shareholders that both its plan and a competing offer from a Brazilian steelmaker undervalue Wheeling-Pitt's assets.

Wheeling-Pitt acknowledged seeing news reports about Esmark's new proposal and said its board would evaluate it when it receives a copy.

Esmark's proposal had allowed shareholders to cash out at \$20 per share if the two companies merge, but the change acknowledges that many might prefer to remain investors in the new company. This plan would give them that option and prevent a dilution of their stock value.

Franklin Mutual Advisers would act as a standby purchaser of any stock purchase rights that shareholders did not exercise, Esmark said.

Current investors could "participate in the upside of creating one of the finest steel distribution companies in the United States" at a price lower than what Esmark shareholders are paying," said Esmark CEO James P. Bouchard.

Wheeling-Pitt shares rose 23 cents, or 1.16 percent, to \$20.05 on the Nasdaq Stock Market.

On Wednesday, Wheeling-Pitt's board of directors reaffirmed its intent to merge with Companhia Siderurgica Nacional SA despite recent shareholders' objections.

But the agreement with CSN 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, where they will be asked to choose between Bradley's team and the rival board of directors that Esmark will run.

Wheeling-Pitt has survived two bankruptcies and employs some 3,100 people at plants in West Virginia, Ohio and Pennsylvania.

The United Steelworkers union did not immediately comment on Esmark's announcement. It has vowed to fight the CSN merger and, if necessary, invoke a labor contract clause that gives it the right to reject any deal that changes controlling interest.

CSN plans to take 49.5 percent ownership of the new company, while Wheeling-Pitt shareholders 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 steel.

But Esmark also countered on that front Thursday, announcing it has reached a six-year slab-supply agreement with Duferco International Trading Holding Limited and Industrial Union of Donbass.

The companies would provide up to 1.4 million metric tons of slabs on an as-needed, annual basis starting in the first quarter of 2007.

Bouchard said a steady, low-cost supply would help overhaul the production-cost structure at Wheeling-Pitt and increase output from the electric arc furnace from 1.7 million tons per year to 2 million tons.

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.