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Esmark offer wins over Wheeling-Pitt shareholder group

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MORGANTOWN, W.Va. (AP) - The third-largest shareholder of Wheeling Pittsburgh Corp. said Friday it will support Esmark Inc. and help elect a new board of directors that aims to pull off a hostile takeover.

Tontine Management LLC and its affiliates, which control 9.5 percent of Wheeling-Pitt's stock, sent a letter to the West Virginia steelmaker saying the latest offer from Esmark promises "the most attractive long-term economic value" for current shareholders.

"Absent any changes in the facts or dynamics of the process or the current proposals, Tontine has concluded it will support the Esmark slate of directors" at the company's annual meeting Nov. 17, Managing Member Jeffrey L. Gendell wrote.

Wheeling-Pitt officials declined comment. Its shares fell 2 cents to \$20.03 on the Nasdaq stock market in midday trading.

Gendell's declaration is another blow to Wheeling-Pitt's plan to merge with Brazil's Companhia Siderurgica Nacional SA, a deal already vigorously opposed by the United Steelworkers, which also prefers Esmark.

Earlier this month, Gendell told Wheeling-Pitt it should abandon the plan to merge with CSN, remain an independent producer and replace its senior managers. Tontine said neither offer for the struggling steelmaker provided sufficient value to shareholders.

The letter, however, says Gendell has since been persuaded that there are significant challenges in remaining independent, so a strategic partner may benefit the company's long-term health.

Wheeling-Pitt has survived the ongoing global consolidation of the steel industry and two bankruptcies. It employs about 3,100 people at plants in West Virginia, Pennsylvania and Ohio.

Esmark sweetened its bid for the company Thursday, announcing that it would ask a new board of directors to issue \$200 million in new stock to existing shareholders rather than buy out current investors.

Esmark's initial proposal allowed shareholders to cash out at \$20 per share if the two companies merge, but the change acknowledged many might prefer to remain investors in the new company.

Tontine called the change a meaningful enhancement and said Esmark has been responsive to shareholder concerns. CSN, by contrast, has yet to substantially alter its proposal, which Gendell said remains "very unattractive."

The structuring of the CSN 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 a six-year slab-supply agreement with Duferco International Trading Holding Limited and Industrial Union of Donbass.