

# HeraldStar

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## **Esmark awaits USW's views**

By PAUL GIANNAMORE, Business editor

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STEUBENVILLE — Esmark says it welcomes the discussions between Wheeling-Pittsburgh Steel Corp. and the United Steelworkers of America regarding a proposed strategic alliance with a Brazilian steelmaker.

Esmark has a package that totals about \$1.8 billion, including a \$200 million cash infusion, the \$273 million valuation of Esmark and a stock buyback plan, as part of a hostile takeover attempt. The Chicago-based steel service center company is seeking proxy votes to put its own slate of nine people on the Wheeling-Pittsburgh board of directors to effect a merger of the companies.

The United Steelworkers of America has been supportive of the Esmark deal and said the proposed Wheeling-Pitt/Companhia Siderurgica Nacional alliance is being presented in violation of the Steelworkers labor contract with Wheeling-Pitt.

The company has offered to set up a meeting with CSN and the Steelworkers to discuss the proposed alliance.

James P. Bouchard, Esmark's founder and chief executive, said Tuesday, "They're going to get together with CSN representatives to meet (USW District 1 Director David) McCall and the local presidents. We look forward to those meetings occurring."

Bouchard added, "Obviously, we feel our proposal is far superior, but it's good to get together and talk. We're sure the union will have a lot of questions for them. We look forward to union coming out of those meetings and saying which proposal they feel is stronger."

The at-times acrimonious battle of words between Wheeling-Pitt and Esmark executives has seen both sides accuse each other of having the wrong plan for the steelmaker. Esmark has said it believes Wheeling-Pitt's current management has not run the company well, while Wheeling-Pitt executives say that Esmark doesn't have the experience at running a steelmaker.

"When the union comes out, hopefully Wheeling-Pittsburgh management will listen to that big portion of their constituency, of their shareholder base. We look forward to

seeing the outcome,” Bouchard said.

Bouchard has offered to take a \$1 a year salary and the rest of his compensation in stock if the merger is approved.

Further, he said, Esmark has a proposal in place to deal with the Wheeling-Pitt retiree costs.

Bouchard said Tuesday, “We are taking 5 percent of the total profits, not just of Wheeling-Pitt but all of Esmark, the service centers and the mill, and it will all go to the pensioners.”

He said if the proposal had been in place this year, retirees would have had a \$2 million distribution just from Esmark’s service centers alone.

“As long as we continue to own and run the company and stay in place, I think the number can be significant, to the point of between \$10 million and \$15 million per year,” Bouchard said. “It’s a sizable amount of money.”

He said with Esmark’s offer of \$20 per share for up to a 7.3 million share buyback, the Wheeling-Pitt Voluntary Employee Beneficiary Association, a trust set up to invest funds to help pay for retiree benefits, could choose to sell some shares to boost its value.

“Our proposal has that, but CSN’s does not. It’s another way we can get cash to the retirees,” Bouchard said.

He said Esmark’s preliminary proxy will become a definitive one to send to shareholders once the CSN proxy is issued.

“It should be forthcoming,” he said.

Wheeling-Pitt’s chairman James G. Bradley said Monday the company has not conceded that right-to-bid provisions in the Steelworkers’ contract apply to the CSN proposal. The Steelworkers contend the right-to-bid clause in the contract, which allows the union the right to form a competing bid in the event of a proposal of change in control of the company, applies and that the union should be given the same amount of time to mount a bid that was afforded CSN.

The union has said it believes that would mean Wheeling-Pitt owes the Steelworkers until at least February to mount a competing offer.

The union has filed a grievance and is seeking arbitration of the issue.

Wheeling-Pitt’s annual shareholders meeting, where it plans to offer its slate of directors to begin to effect the CSN alliance and Esmark plans to see its slate of directors voted upon, will be held Nov. 17 at the Hyatt Regency Pittsburgh International Airport.

McCall was quoted in reports Tuesday as saying he is glad Wheeling-Pitt wants to talk and the union is willing to listen, but the union is worried that CSN would end up with a majority stake in Wheeling-Pitt. The plan calls for CSN to have 49.5 percent of the company, with 11.8 million shares of stock that could be turned to an equity position within three years.

Further, McCall said in a Reuters News Service report that the CSN deal could lead to the Brazilian firm flooding the market with Brazilian steel slabs and no steel investment in the Ohio Valley.

Wheeling-Pitt has said the CSN deal would include capital improvements to its hot strip mill in Mingo Junction, but also would include installation of new galvanizing capacity in CSN's plant at Terre Haute, Ind.