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Wheeling-Pitt green lights Brazilian merger

By Len Boselovic

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Wheeling-Pittsburgh Corp. announced today it is proceeding with its previously announced plan to merge its steel plants with the North American operations of Brazilian steelmaker Companhia Siderurgica Nacional, defying the objections of its third-largest stockholder, the United Steelworkers union and a competing bidder.

Under the proposed transaction, CSN would contribute its Terre Haute, Ind., steel finishing plant as well as \$225 million in convertible debt to create a new company that would be 50.5 percent owned by current Wheeling-Pitt shareholders and 49.5 percent owned by CSN. The Rio De Janeiro-based steelmaker's ownership would climb to 64 percent if the USW approves converting the \$225 million debt into stock, a proposal the union has previously rejected.

"This agreement marks a new beginning for steelmaking at Wheeling-Pittsburgh and in the Ohio and Monongahela valleys," said Wheeling-Pitt Chairman and Chief Executive Officer James G. Bradley.

Tontine Partners, a Greenwich, Conn., hedge fund that owns 9.7 percent of Wheeling-Pitt's stock, said CSN's offer for the Wheeling steel producer, as well as a competing bid by Esmark, a Chicago Heights, Ill., steel processor, "grossly understate the intrinsic value" of Wheeling-Pitt. Tontine's Jeffrey L. Gendell said that barring significant improvement in the bids, he wants the twice-bankrupt steelmaker to remain independent under new management.

Mr. Bradley would be chairman of the new company if the merger with CSN is approved. However, his survival hinges on the outcome of a Nov. 17 shareholder meeting, where stockholders will vote on a slate of directors offered by Esmark, which also wants to oust Mr. Bradley.

Esmark CEO James P. Bouchard said the announcement reveals management's "lack of business judgment and disregard for the shareholders, employees and retirees of Wheeling-Pitt."

"It is time to remove this management team and replace the board," Mr. Bouchard said.

Pending the outcome of the Nov. 17 vote, Wheeling-Pitt shareholders would vote on the CSN proposal in January.

Shortly before 10 a.m., Wheeling-Pitt shares were trading at \$19.80, down 14 cents.