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WHEELING-PITT LONGTIMER LIKES BEING WANTED

BRAZILIAN FIRM'S OFFER PUTS TWO BIDDERS AT THE TABLE

By Len Boselovic, Pittsburgh Post-Gazette

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For more than 20 years, Wheeling-Pittsburgh Corp. has been part steel mill, part rumor mill, a wrenching saga rivaling the daytime soap opera "All My Children."

Ken Aspenleiter is one of the children.

In his three dozen years at the chronically troubled steelmaker, Mr. Aspenleiter has experienced two bankruptcies, strikes, assorted takeover rumors, waves of cheap imports and a few profitable years in between, although not many of late.

"I've been part of every possible scenario that could happen at a steel mill," said the president of United Steelworker Local 1190 at the steelmaker's Follansbee, W.Va., plant. "You're like kind of conditioned to things like this. This stuff happens all the time, almost all the time bad news."

But even hardened veterans like Mr. Aspenleiter sat up and took note yesterday when a second suitor for Wheeling-Pitt took center stage.

Brazilian steel producer Companhia Siderurgica Nacional says it will arrange \$225 million in financing and throw in its Midwest steel processing plant in exchange for 49.5 percent control of Wheeling-Pitt. CSN could gain majority control within three years by converting the \$225 million into Wheeling-Pitt shares, a move that would have to be blessed by United Steelworkers union.

Wheeling-Pitt's management and board are backing the CSN proposal, setting the stage for a showdown with Esmark, a Chicago Heights, Ill., steel processor and distributor that has launched a competing bid for Wheeling-Pitt.

"It's something to have two people thinking there may be a future here," Mr. Aspenleiter said.

Under the terms of a proposal revealed yesterday, CSN would be given about 14.5 million new shares of Wheeling-Pitt stock in exchange for merging its Terre Haute, Ind., steel processing plant into Wheeling-Pitt and agreeing to supply steel slabs over 10 years.

Since Wheeling-Pitt can process more slabs than its steelmaking furnaces can produce, the CSN-supplied slabs would boost the new company's revenue and profits, Wheeling-Pitt and CSN said.

"Our board strongly believes the proposed transaction with CSN offers our shareholders the most compelling value proposition over the long term and, in particular, will deliver significantly more value than the most recent proposal by Esmark," Chairman and Chief Executive Officer James G. Bradley said.

Esmark, a three-year-old steel processor and distributor that announced its 10th acquisition yesterday, says it has the union's backing.

"They're adding debt to the company and management stays entrenched," said Esmark Chairman and Chief Executive Officer James P. Bouchard. "This is bad for the shareholders, bad for the employees and bad for the company."

Esmark wants to merge with Wheeling-Pitt after electing its own slate of directors to the steelmaker's 11-member board. Mr. Bradley is one of the directors Esmark is seeking to oust.

If it gains control of the board and the merger is approved, Esmark would receive shares representing 64 percent control of Wheeling-Pitt's stock. That's about what CSN would own if the union agrees to converting the debt to stock. Esmark would also invest \$200 million in cash to upgrade Wheeling-Pitt's facilities.

That's "all good stuff I like to hear," said USW District Director Dave McCall, a leading protagonist when it comes to wielding the union's clout. Mr. McCall said he's agreed to a confidentiality agreement with the company regarding CSN's offer, but hasn't been told enough to be confidential about.

"I don't know anything about the CSN plan," he said. "We'll do what's best for our members and we'll do it together."

The takeover battle occurs as Wheeling-Pitt struggles to improve its inconsistent performance since emerging from bankruptcy three years ago. The steelmaker flourished along with the rest of the industry in 2004, but lost \$33.8 million last year and another \$2.1 million in the first quarter.

Takeover speculation has prevented the lackluster results from denting Wheeling-Pitt shares. They closed yesterday at \$22.28, up \$1. They have more than doubled this year after closing out 2005 at \$9.02.

CSN and Esmark are planning moves that would affect jobs at Wheeling-Pitt, which employs about 3,200 at plants in Pennsylvania, West Virginia and Ohio.

Esmark would close down Wheeling-Pitt's remaining blast furnace at Mingo Junction, Ohio, and rely on the electric steelmaking furnace that was the linchpin of the plan that brought Wheeling- Pitt out of bankruptcy.

Under CSN's proposal, the partners would build a new line to produce galvanized sheet at CSN's Terre Haute plant. USW officials say that could jeopardize jobs at Wheeling-Pitt's Martins Ferry, Ohio, plant, which also produces rust-resistant steel.

The issue will come to a head Nov. 17, when Wheeling-Pitt shareholders meet at the Hyatt Regency at Pittsburgh International Airport to elect directors and vote on the CSN proposal.

Esmark will offer its own slate of nine directors at the meeting that includes Mr. Bouchard, his brother and former Alcoa president C. Frederick Fetterolf. Esmark would retain the two USW appointees to the board.

Under the CSN proposal, the board would include Mr. Bradley, two USW-appointed directors, three from CSN and five independent directors.

Both sides will make their case to shareholders in coming months, including to a USW trust that owns about 2.3 million shares, or approximately 16 percent of Wheeling-Pitt's stock.

Those looking for a way out of the soap opera may side with Esmark, whose backers include Franklin Mutual Advisors. The investment firm was among the investors who financed International Steel Group's acquisitions of LTV, Bethlehem and other bankrupt producers earlier this decade. ISG then sold itself last year to Mittal Steel, the world's largest producer, last year, generating a tidy profit for Franklin and other shareholders.

Some believe that current investors, who would be left owning a minority of shares under either proposal, might find that kind of final act at Wheeling-Pitt more possible with Esmark than with CSN.