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Filing reveals Nucor's role in Dofasco buyout

Shows Nucor, Arcelor acting in concert

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Nucor Corp. acted in concert with **Arcelor SA** to take over **Dofasco Inc**. with bidding that started in private at $43 a share in May, but wasn't part of the public offer by Arcelor that sent Dofasco searching for a white knight, documents filed with securities regulators show.

Nucor, a U.S. mini-mill giant, now appears to be out of the picture, according to a Dofasco circular filed with the Ontario Securities Commission.

The circular outlines the sequence of events that led to Canada's largest steel maker spurning the combined Arcelor-Nucor private bids, as well as Arcelor's public offer, and hooking up instead with **ThyssenKrupp AG** of Germany.

A $61.50-a-share offer from ThyssenKrupp exceeds Arcelor's $56 offer.

Luxembourg-based Arcelor and Nucor, of Charlotte, N.C., raised their bid privately several times between May and November, but were rejected each time by Dofasco's board, the circular shows.

Dofasco's board also rejected an initial bid made by ThyssenKrupp on Nov. 21, two days before Arcelor went public with its $56 offer.

The same day Arcelor went public, ThyssenKrupp raised its offer, but Dofasco's board considered the break-fee too high, so directors began discussing "the risks and benefits of conducting a full auction."

After that discussion the board adjourned, only to reconvene and be advised "of contacts that had taken place with various steel companies that morning by Dofasco management and its financial advisers and that none of these companies had indicated any immediate or strong desire to enter into significant discussions with Dofasco."

They went back to ThyssenKrupp, which agreed to a higher offer and a lower break fee and the two companies went public with their friendly deal on Nov. 28.

Dan DiMicco, Nucor's chief executive officer, is identified in the document as joining the Arcelor CEO in meeting with Dofasco CEO Don Pether in May to outline the first bid.

Mr. DiMicco did not return calls seeking comment yesterday.

Bob Johns, a Nucor executive, who described himself as working in government affairs and marketing, said the company's policy is not to comment on any such discussions.

Industry analysts offered two schools of thought yesterday on why Nucor dropped out.

Nucor is a mini-mill operator, which means it doesn't need iron ore.

That means its executives probably saw little point in paying a premium related to Dofasco's ownership of mining company Quebec Cartier Mining Co., said John Novak, who follows the steel industry for CIBC World Markets Inc. ThyssenKrupp and Arcelor, on the other hand, are integrated steel makers that have been squeezed by the sharp increases in iron ore prices this year.

As New York-based steel industry analyst and consultant Michael Locker sees it, the potential deal got too rich for Nucor.

"I'm sure they didn't want to bid it up," said Mr. Locker, who heads Locker Associates Inc.

But a Nucor-Dofasco combination would have created a North American powerhouse.

"It was a brilliant fit for Nucor," Mr. Locker said. "I've thought that for a number of years now."
