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**INSIDER ACTION: DANIEL LEE**

## **Steelmaker lets workers own a piece of the profit**

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If you work for Steel Dynamics, you have an opportunity to make a nice chunk of money. Or your income could be so-so, at best.

It depends how the company and its stock perform.

Steel Dynamics President and Chief Executive Keith Busse built up the mini-mill steel producer using a compensation system for workers that makes the company act more like a nimble high-tech company than an old-line steel maker. Workers at the Fort Wayne-based company earn a base of \$8 to \$16 an hour. But the bulk of their pay comes from performance bonuses, stock- option gains and the company's profit-sharing and retirement-savings programs.

Last year the average non- executive worker pulled down \$84,200 in pay, bonuses and option gains, according to the company. Each averaged another \$18,200 in profit-sharing, mainly used to fund the retirement plan.

Busse said the incentives are a bargain because they motivate employees to be more productive and look for ways to increase efficiency. "They cause people to be diligent on the company's behalf as well as their own."

Steel Dynamics, created in 1993, employs about 1,800 people, all but about 150 in Indiana. Last week the company announced an \$18 million expansion of its Pittsboro bar mill west of Indianapolis that will add 55 jobs.

Those new full-time employees will start getting stock options each May and November. The options allow the workers to buy Steel Dynamic shares for a set price -- the stock's market price when they were granted -- for five years. If the stock goes up, they can cash in the difference between the option's price and the stock's higher price.

The company grants stock options to all of its full-time workers, not just executives and top managers. Many other steel companies handed over the biggest portions of their options to top executives.

For example, a quick look at eight other steel companies that granted options reveals that the top five executives got a median of 38 percent of the option pool, according to Equilar, a compensation research firm in San Mateo, Calif.

In contrast, the top five executives at Steel Dynamics got just 4 percent. Fellow mini-mill produce Nucor Corp., where Busse worked 21 years before founding Steel Dynamics, was at 9 percent.

But that's not to say Steel Dynamics' top leaders are making a mint. Busse was paid more than \$3 million in salary, bonuses and restricted stock grants and profit-sharing last year, according to the company's proxy filing with the Securities and Exchange Commission.

From top to bottom, it's all about providing the needed motivation, Busse said.

"If you make a bad ton of steel . . . if it's secondary steel and not primary steel, then the bonus is zero," he said.

Steel Dynamics' stock is doing better of late. Its shares closed at \$35.53 Friday, down slightly from a year ago, but up from just over \$25 in May.