Happy Holidays!



Wire Content Leads To Good Chemistry With Redmore Products

Bob Reed, President of Redmore Products in Sterling is happy because he feels his company is benefitting from the persistent work at Northwestern to find a suitable chemistry for wire to be used for his staple lines.

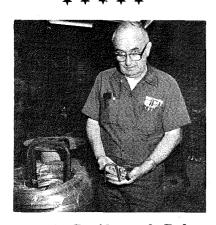
Not only is Reed receiving quality wire that is working well on his machinery, and getting it from a local source, but he is helping to add to the economy of his own community.

"We attempted on several occasions to use wire produced by North-western Steel and Wire Company for our applications, but for some reason we had trouble getting the right properties in the wire so that our diamond points would pinch off properly," Reed said.

"Northwestern called recently and said they had a sample of wire which consisted of a different chemistry than we had tried in the past. This time the wire ran real well," Reed said.

Reed said Redmore will be buying more Northwestern wire ranging from 11 ga. to 3 ga. The company primarily produces a variety of industrial staples which are used in the construction business. Sizes of the staples vary from 1" long and 1/8" in diameter to 6" long and 3/8" in diameter and they are available in a variety of plated elements, such as copper, zinc, and aluminum, depending on customer requirements.

"It was very compelling to have a customer within shouting distance that really wanted to use our wire, but was having trouble running our product,"



Bob Reed, President of Redmore Products, in Sterling, holds a sample of various sized staples that the company produces.



Redmore Products in Sterling, which employs nine people, utilizes 21,000 sq. feet of production and inventory space. The Company produces a complete line of industrial staples for use both domestically and abroad.

Ed Matthews, Product Manager, Rod and Wire Division said. "Thanks to the diligent efforts of Dave Erby, (Northwestern's Drawing Room Supervisor) and to Northwestern's lab we were able to come up with the right chemistry for the Redmore needs."

Redmore Products began in 1963 at Moore's Machine Shop in Sterling, located across from what is now the Road Star Inn. However, in 1966 the Company moved to its present location on Rt. 2, just east of Northwestern's Truck Scales. Reed has purchased Haden Moore's interest in the corporation.

Today, Reed and his son Doug manage the Corporation which consists of nine employees, 13 staple-producing machines and 21,000 square feet of shop space.

The company sells through various manufacturing representatives throughout the United States and has a good export business through its domestic customers.

"The export business looks like it might be picking up some now. It has been very difficult to sell overseas in recent years because of the high value of the dollar," Reed explained. "The business, both overseas and domestic, is very competitive. It comes down to who can produce faster and cheaper. Right now we have found our niche in the fact that we can provide what the customer needs when he wants it."

"We'll break our necks to get something out - in some cases in a day or two."

With this kind of a policy the workers are used to somewhat flexible hours, but almost always can count on a nine hour day, Reed said. "Our machines work through breaks and through the lunch hour, with only someone keeping an eye on things."

Northwestern's Territory Salesman calling on Redmore Products is Ray Bauer. Arthur Sandoval, handling rod and wire sales, retains telephone contact with Redmore for future business. Reed said he also spends a lot of time on the phone with Matthews.

* * * * *

Northwestern's Personnel Files

Arthur Sandoval

Arthur joins the Steel Division Sales Department as a sales correspondent handling wire and rod sales. He assumes the former duties of Frank Murphy, who has accepted a position in the 12-Inch Mill.

Arthur is graduate of Bradley University with a maior in Political Science and a minor in Business. He

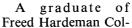


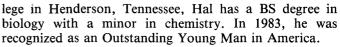
is currently attending Sauk Valley College pursuing an accounting certificate.

Arthur, who is single and lives in Sterling, is Vice President of Sterling Little League, where he has coached for 11 seasons. He also coached basketball at St. Mary's Grade School.

Hal Gerber

Hal recently joined the Steel Division Sales Department as a sales correspondent covering Eastern Pennsylvania, the New England States, and the state of New York. He assumes the former duties of Paul Lester, who has accepted another position within the sales department.





Hal and his wife Gayle and their two children - Adam (5) and Ashley (1½) - live in Prophetstown.

Northwestern Anniversaries

November

30 Years

Berton Hollis, 11/28/56, Plant 3 Millwright.

25 Years

Merrill Johnson, 11/7/61, Plant 2 Electrical.

Don Morgan, 11/13/61, Salaried, Project Engineer.

Alexander Delgado, 11/20/61, Brickmasons.

James Rosenow, 11/20/61, Plant 2 Electrical.

Robert Lundquist, 11/21/61, Steel Plant Crane Operator.

Gary Smith, 11/25/61, 12-Inch Mill Finishing-Bars.

20-Years

Ralph Decker, 11/6/66, Plant 2 Welders.

Lloyd Collinson, 11/10/66, Over-The-Road Truck Driver.

December 40 Years

John Atilano, 12/9/46, Plant 2 Crane Mechanics.

John Delgado, 12/10/46, Nails.

30 Years

Richard Hoover, 12/9/56, Plant 2 Electrical.

25 Years

Ormand Coats, 12/6/61, Plant 2 Welders.

Jimmie Jackley, 12/9/61, Plant 2 Pipefitters.

Gordon Parker, 12/15/61, Plant 2 Welders.

John Duffy, 12/17/61, Field Fence. Jose Barron, 12/17/61, 20-24-Inch Shipping and Finishing.

Keith Cook, 12/17/61, 24-Inch Mill. Ronald Mintun, 12/17/61, Wire Mill Millwrights.

Darwin Holldorf, 12/18/61, General.

Dean Dace, 12/18/61, Plant 3 Welders.

Denverd Hutton, 12/18/61, Scrap

John Taets, 12/18/61, Plant 2 Electrical.

Earl Devers, 12/20/61, Carpenter Shop.

14-Inch Finishing.

John Bonneville, 12/21/61,

Robert Wasmund, 12/20/61,

Salaried, 12-Inch Mill Shipping.

Kenneth Wolf, 12/23/61, Plant 3

Alfred Silva, 12/26/61, Plant 3 Welders.

Lee Kramer, 12/29/61, Electric Fur-

James McKenna, 12/31/61, Plant 3 Welders.

20 Years

Charles Burton, 12/19/66, Trial Crew West.

Gene DeJarnette, 12/26/66, Salaried, Plant 2 Electrical.

15 Years

Randy Johnson, 12/4/71, Salaried, 24-Inch Mill.

Charles Hall, 12/4/71, 12-Inch Mill Finishing.

David Rodekamp, 12/4/71, 20-24-Inch Shipping and Finishing.

Jerry Gibson, 12/4/71, Condition-

John Masini, 12/4/71, Scrap Yard. Keith Dravis, 12/12/71, Plant 5 Millwrights.

Northwestern Computers Now Linked

Northwestern's two major computer systems - the Sperry Univac 90/80, located in the Data Processing Department in the Office Annex, and the Data General computer, located at the Pentagon, have now officially been introduced.

The meeting of these two artificial minds is expected to translate into formidable time and productivity savings as more software is developed to allow the two machines to communicate. It will also mean quicker access to information throughout the plants.

Carl Fisher, Manager - Information Services, said the first phase of the hook-up between the two computers was completed on Oct. 28 with a scrap system program. The successful connection between the two computers was the culmination of three months of hardware installation and two months of programming.

While Northwestern benefitted from the expertise of programmers from Sperry and Data General, much of the credit for the speedy installation, Fisher said, belongs to Northwestern programmer Mike Fritz and Jerry Shinville, Manager - Quality Assurance.

"They both did a fantastic job. I can't credit them enough," Fisher said. "Actually the main story here, really, is the people. There was tremendous cooperation from a lot of people in several departments."

Since the two computers were entirely different machines and thus require dissimilar programming, the most difficult portion of the link-up between the computers was in writing programming that would allow the machines to communicate with one another.

Both Fritz and programmer Ron Burgess, who were already familiar with the language used by the Sperry computer, spent a week familiarizing themselves with the Data General environment before delving into the task of actually writing programming.

"Right now we figure we are saving 20 to 25 hours a week because there is no duplication of key punching scrap information into two computers, as has been done in the past," Fisher said. Under the old system, Carl Scott, Scrap Inspector, would key into the Data General computer, information on all scrap received. This information

would also be given to the Accounting Department, who would forward the information to Data Processing for keypunching into the Sperry. Under the new system, the information is keyed once into the Sperry and then directly transmitted for immediate access to the Data General.

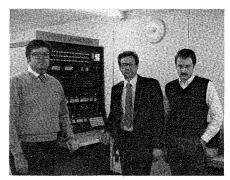
Fisher said that future benefits from the computer link will come as soon as programming is developed to allow transmission of information on day work and crew sheets from the Data General maintenance management system to the Sperry System.

Real time transmission of heat chemistry and analysis will lead to more timely preparation of loading documents and mill test reports. Currently, this information is not immediately available.

Also, a heat log with complete information on electric furnace activity will be generated from the information directly from one computer to the other.

Jerry Shinville, Manager of Quality Assurance, said that when the linkage

is complete in early February, significant savings will have resulted from the facilitated exchange of information. A major advantage, too, will be the reduction of errors."



Credited with expediting the recent linkage of the two major Northwestern computers are (left to right): Carl Fisher, Manager of Information Services, Larry See, Manager of Data Processing, and Mike Fritz, Programmer. Not shown is Jerry Shinville, who was also instrumental in the computer linkage.

Wilthew Addresses SSCI Directors, Outlines Northwestern's Turnaround

Northwestern President and Chief Executive Officer Robert M. Wilthew reviewed the Company's turnaround achievements during fiscal 1986 in a speech to the Steel Service Center Institute (SSCI) Board of Directors recently.

The meeting, held at LaQuinta, CA, allowed Wilthew the opportunity to relate the Company's story to representatives of the Steel Service Center Industry, Northwestern's major customer base.

Wilthew gave the audience a brief description of the Company as it currently exists, describing its facilities, equipment, products, customers, ...and its employees.

"With all the bad news surrounding the steel industry, the Northwestern turnaround is a "sweet" story to tell the world about," Withew said. He described how the management team mounted the turnaround effort through the "participative" style of people involvement and how Northwestern outlined the strategic steps in sales and production initiatives, asset utilization, management objectives, capital expenditure plans, profit plan development, and long range development of asset growth. He then reviewed the results of those efforts by exhibiting our financial achievements at the close of fiscal 1986.

Wilthew told the group that "Northwestern's success is based on its natural abilities to identify, analyze, solve, implement and obtain results. The people of Northwestern were keenly aware of the Company's plight, and the employees exhibited a genuine concern for the Company's many problems. When the problems surfaced, they were resolved, the results of which have enabled the employees of Northwestern to find a new strength by which to successfully continue the battle for survival. To keep on -- making it in steel!"

Touring Northwestern's facilities recently were Cecille Croux (center) foreign exchange student from France at Rock Falls High School, her visiting father, Pierre Croux (second from left), and Cecille's American hosts from Rock Falls, Ron and Donna Hoffman (right).

Wilthew Holds Meetings With Hourly Employees

During the month of November, Northwestern Steel and Wire President and CEO Robert M. Wilthew held informational meetings with hourly employees.

A total of 17 meetings were held in various areas throughout the Steel and Wire Divisions, both in Sterling and Rock Falls. The present status of Northwestern Steel and Wire as well as plans for its future were discussed with the many employees who attended the sessions.

Mr. Wilthew answered numerous questions regarding both the specific operation of the business as well as Northwestern in general. It is anticipated that more of these informative, informal meetings will be held in the future to continually communicate information regarding Northwestern Steel and Wire to its workforce.

NSW 1987 Summer Work Job Applications

Applications for summer work will be taken December 29, 1986 to January 2, 1987. Interested students should apply through:

Illinois Job Service 2323 E. Lincolnway Sterling, IL 61081

What's New At NSW

Northwestern Featured In J.E. Baker Company Ad

J.E. Baker, York, PA, supplier of refractory which lines Northwestern's three 400-ton furnaces will feature the Company in a 4-page insert in 33 Magazine.

The advertisement highlights J.E. Baker's contribution to Northwestern's melt shop record for tons melted in a single month.

Pictured in the ad are one of Northwestern's 400-ton furnaces in operation; the billet caster; a full 400-ton ladle; and a photo of Lyn Tarrant, Manager, Primary Steelmaking, and John Waller, General Foreman, standing in front of a furnace.



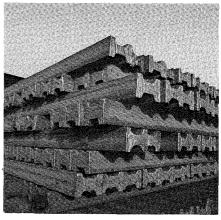
J.E. Baker Company Ad Cover

NSW Begins Casting Dog-Bone Beam Blanks

Northwestern Steel and Wire Company now has the ability to cast some sizes of dog bone beam blanks on the Company's 6-strand bloom caster.

The Company ran an experimental cycle of 12,000 tons of the dog bone beam blanks in November.

Dog bone beam blanks are preformed in a rough "H" shape for rolling into wide flange beams. Until recently, all sizes of dog bone beam blanks had to be formed in the 24-Inch Mill from ingots. These smaller sizes which can be presently cast at Northwestern will avoid the more costly ingot process.



Stacked dog bone beam blanks

Board Of Directors Omit Dividend

The Board of Directors of Northwestern Steel and Wire Company has elected to omit the dividend of its issued and outstanding common shares for its second fiscal quarter ending January 31, 1987. Dividends have been omitted since the third quarter of fiscal 1983.

New Appointments

Ray Duncan, Turn Foreman, Plant 5 Inspection, effective 11/16/86.

Mike Mason, 12-Inch Mill Supervisor, effective 10/12/86.

John W. Buntjer, 12-Inch Mill Roller, effective 10/12/86.

Frank Murphy, Plant 2 Inspection Foreman, effective 11/9/86.

Ed Eubank, 24-Inch Mill Maintenance Supervisor, effective 11/7/86.

James Pugh, 14-Inch Mill Roller, effective 11/1/86.

Dave Jones, Supervisor Mechanics, Caster Department, effective 8/11/86.

Supervisors, Hourly Employees Enroll In First Phase Of Multi-Craft Training

During the weeks of November 24th and December 1, 1986, supervisors and hourly employees enrolled in the first phase of Multi-Craft training at the Whiteside Area Vocational Center (WAVC).

Multi-Craft training consists of NSW hourly maintenance employees and their supervisors having the opportunity to acquire related skills that can be used with their present skilled craft. For example, millwrights will have the chance to learn welding and/or pipefitting skills. And, welders will have the opportunity to become cross trained in pipefitting and/or mechanical or millwright skills.

The purpose of Multi-Craft training is to enable NSW maintenance employees to become craftsmen with higher skills.

Multi-Craft training will enable craftsmen to utilize their time and energy in a more efficient manner, since they will be able to perform their regular jobs without waiting for other skilled craftsmen.

Currently, there are approximately 29 supervisors and 66 hourly employees enrolled in the Welding course at the WAVC. There are about 15 supervisors and 40 hourly employees currently taking Blueprint Reading at the WAVC.

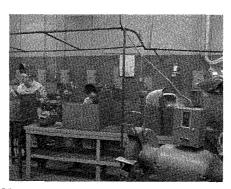
By mid-January, 1987, additional courses in the Multi-Craft curriculum will be offered at the WAVC. Such courses will be in the areas of pneumatics, hydraulics, and pipefit-

ting. A basic course in Industrial Electricity will also be offered to maintenance supervisors only.

The initial response by both the supervisors and hourly employees has been highly positive. "All the students," says **Jerry Conner** (one of the welding instructors at WAVC), "are really demonstrating a good attitude in their classes and doing quite well in their practical lab exercises."

"Also," Conner says, "the use of lecture, textbooks, practical lab exercises, videotapes, workbooks, and computer assisted instruction, will enable the student to acquire skills at his own individual pace of learning."

We wish the supervisors and hourly employees continued success in their courses at the WAVC.



Northwestern Steel and Wire Company supervisors and hourly employees practice newly learned welding skills at the Welding course at the WAVC as part of NSW's Multi-Craft Training Program.

Northwestern Experiences Insurance Crisis

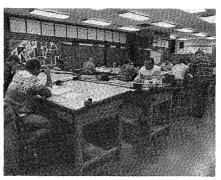
Although there are many reasons for the "insurance crisis" the fundamental cause is the ever increasing rate of litigation and many resulting multimillion dollar settlements which have made insurance costs skyrocket.

Northwestern has been severely impacted by the insurance crisis. Insurance premiums have doubled in each of the last two years and deductible levels have drastically increased.

How does that affect our Company? Our structural and wire products could have a significant product liability exposure in that any catastrophic failure, caused by our steel, would have a crippling impact on the company's financial stability.

A rigid loss prevention and quality control program are essential to the current and future health of Northwestern.

The "insurance crisis" is another important reason for understanding, participating and supporting the quality improvement efforts in each department.



There are approximately 55 supervisors and hourly employees taking Blueprint Reading at the WAVC.

Wood Stove Safety Tips

Operate your wood stove safely. Don't let your stove overheat - too strong a draft can cause a dangerously hot fire. Don't let the fire in your stove burn too low. Too low a draft will cause incomplete burning and dangerous creosote build-up. You have to keep the fire under control at all times by adjusting the dampers and air inlets to regulate the amount of air entering the stove.

Always try to follow these safety tips:

- Don't get burned and keep children and pets away from the hot stove. Use potholders to remove pans, or when opening stove doors.
- ✓ Keep fire tools handy such as a poker, shovel, and fireproof gloves.
- ✓ Get a smoke detector installed properly and keep it in good working order.
- ✓ Keep a fire extinguisher handy and check its condition at least twice a year.
- ✓ Open a burning stove carefully -- flames could puff out at you, embers could drop on the floor, and remember to secure the latch when done.
- Empty ashes regularly and make sure you put them in an outside metal container with a tight cover and remember to let them cool before throwing them out.
- ✓ Burn seasoned wood -- dry wood stored for a year gives more heat and is easier to burn.

October Suggestions Pay Off For 13 Employees

A total of 14 suggestions were approved in October with 13 employees receiving a total of \$1,600 in awards.

Northwestern employees receive savings awards based on 10% of the estimated one year's savings. Awards are also given for merit and safety suggestions.

Jay McKenzie, Plant 2 Millwright, received a \$200 savings award for a suggestion to run air from the 12-Inch Mill combustion fan to fan bearings so that air flows only when the fan is on.

McKenzie also received a \$100 savings award for a suggestion to put a roof over the 12-Inch Mill vertical dryer fans to prevent damage to aluminum coils.

Donald Winkler and William Baughman, Plant 2 Millwrights, were the recipients of three suggestion awards totalling \$350 for their combined suggestions.

Winkler and Baughman shared a \$200 savings award for a suggestion to use 5-1/4-Inch billets for side rails on the 12-Inch Mill storage bed to keep chains from coming off.

In addition, each man received a \$50 award for a suggestion to change 12-Inch Mill billet ejector cart wheels and thus remove them from mill scale which elimates wear. A \$25 safety award was given to each man for their suggestion to install a mechanism to push the 12-Inch Mill shear blade cart in and out when changing blades.

Charles Seidel, Plant 2 Cranes, received a \$250 merit award for a suggestion to put a swivel on old furnace building crane hooks to save wear on cables when loading tundish skulls and ingots.

Leo Lewis, 12-Inch Mill, was given a \$200 merit award for a suggestion to put a clamp on the 12-Inch Mill No. 16 stand delivery guide to keep it from falling out of place.

James Halsne, Plant 2 Electrical, received a \$100 savings award for a suggestion to hook caster farval grease timers to the emergency water output so they go on and off automatically.

For his suggestion to install an intercom to facilitate maintenance work on the 12-Inch Mill peel bar, Richard Hoff, Plant 2 Millwright, received a \$100 Merit Award.

Calvin Bryant, Plant 4 Electroweld, received a \$100 merit award for a suggestion to replace sheaves in Plant 4 "Banjos" with used 120 chain links cut

in half.

Ronald Rogers, 12-Inch Mill Finishing, received a \$100 merit award for a suggestion to weld pieces of flat in gaps at the 12-Inch Mill to keep rod ends from catching.

Richard McCoy, Plant 2 Millwrights, received a \$50 savings award for a suggestion to bore out sprockets on Stelmor drive idlers and install roller bearings.



Honored for 40 years of service to Northwestern Steel and Wire Company was Joseph Gonzalez (center) 20-24-Inch Mill Furnace. Presenting the service award were Company Chairman Emeritus W. Martin Dillon (left) and Company Chairman Peter W. Dillon. **Douglas Harms**, Plant 2 Millwrights, received a \$25 safety award for a suggestion to put a safety guard under the 12-Inch Mill furnace charge roll line.

Edward Gaul, Office Annex Janitor, was issued a \$25 merit award for his suggestion that the Company establish awards for employees participating in a physical fitness/wellness program.

Best Retirement Wishes

Best wishes for a long and happy retirement are extended to the following employees who completed their years of service at Northwestern Steel and Wire Company.

November Retirements
Mateo Barron, Caster Department,
31 years.

Marvin Eikenberry, Plant 2 Electrical, 30 years.

Kenneth L. Riggs, Plant 4 Welding, 31 years.

Trinidad Molina, Plant 2 Electrical, 31 years.

Robert Minor, Scrap Yard, 24 years.

December Retirements

Flaves Allmon, 24-Inch Mill, 20 years.

David Thompson, Plant 4 Drawing, 31 years.

1987 Social Security Taxes

Effective January 1, 1987, the amount of wages subject to Social Security payroll taxes is to be increased from a base of \$42,000 to \$43,800. The Social Security tax rate will remain unchanged at 7.15% in 1987.

A comparison of the maximum annual tax for employer and employee is shown:

	1987	1986	Increase
Employees	\$3,131.70	\$3,003.00	\$128.70
Employer	\$3,131.70	\$3,003.00	\$128.70

Also, effective with wages paid after December 31, 1986, there will be new income tax withholding tables reflecting the changes from the new tax bill signed into law by Congress.

Northwestern Posts 1st Quarter Gains

The following is the letter which appeared in Northwestern's report to the shareholders for the 1st quarter of operations ended October 31, 1986:

To Our Shareholders:

Net sales for our fiscal quarter ended October 31, 1986 rose to \$98.3 million, up 17% over the comparative prior year quarter's net sales of \$84.3 million.

Shipments in the first fiscal quarter were 318,348 net tons, an increase of 21% over the comparative prior year quarter's shipments of 262,597 net tons. Product mix shipped between the two periods were significantly different due to the sales of semi-finished products, which began in January 1986. Aggressive price competition continues to prevail in the markets that we serve. The continued availability of domestic and foreign imports in our product range has kept the average price of these products depressed.

Net income of \$2.5 million or \$.33 per share compares with the comparative prior year quarter's net profit of \$1.2 million or \$.16 per share. The accomplishment of a net earnings increase of 104% over the previous year was achieved by continued emphasis on utilizing our assets to the fullest extent possible and the planned lowering of manufacturing costs.

Cash flow continues to be positive and is principally being used to pay for capital improvement projects and debt reduction. The previously announced \$4.0 million capital expansion program in our Wire Division is on target with total completion expected in June 1987.

The Annual Meeting Shareholders was held in Sterling, Illinois, on November 19, 1986, at which time the following Class II directors were elected for terms expiring at the Annual Meeting in 1989: W. Martin Dillon, Anthony E. Cascino and Jennings R. Lambeth. Other directors whose terms will continue after the Annual Meeting are Class I directors Jon G. Bowman and Richard B. Walbert and Class III directors Robert M. Wilthew, Peter W. Dillon and John P. Conway.

We anticipate continued progress in achieving our market volume plan through our normally low second fiscal quarter. The inventory plan during this second quarter is expected to increase so that Northwestern can position itself for increased market penetration for the balance of our fiscal year.

Management objectives are being implemented on schedule, thus we can anticipate continued improvement in lowering the amount of Costs of Goods Sold. All of our employees, both Union and Management, are determined to achieve this goal. The fact that the current quarter represents the fifth consecutive profitable quarter exhibits the employee involvement and



Named as "Salesman of the Year," Ed Kolinski is shown with the clock presented him by C.H. Biermann, Vice President of Sales, during the recent Steel Division Sales Meeting. Ed's territory consists of the state of Wisconsin and portions of Illinois and Iowa.

commitment in continuing to make Northwestern a strong and viable company.

> Robert M. Wilthew President and Chief Executive Officer



Vella Simpson, Steno-Correspondent for the Steel Division Sales Department, proudly displays the crystal bowl presented to her by C.H. Biermann, Vice President - Sales, Steel Division, during the recent two-day sales meeting for that division. She received the award for outstanding cooperation in assisting the correspondents and our customers throughout her 14 years of service in the sales department. Vella has been with the Company for 24 years.



Eleven salaried salesmen and two commission representatives attended the recent two-day Steel Division Sales Meeting, the theme of which was "Manage The Details." Shown left to right in the above photo are: Mark Vest; C.H. Biermann, Vice President of Steel Division Sales; Jerry McDonnell; V.L. Johnson, Manager of Sales-Steel Division; Bill Ackert; Craig Weiss; Bill Lucy; Ron Adams, Office Manager and Senior Sales Correspondent; Tom Cooney, Sales Planning Supervisor; Ed Kolinski; Rick Brandt; Warren Mead; Jim Weaver; Mike Foley, and Ray Bauer. Absent when the photo was taken were Lee Matera and Steve Yost.