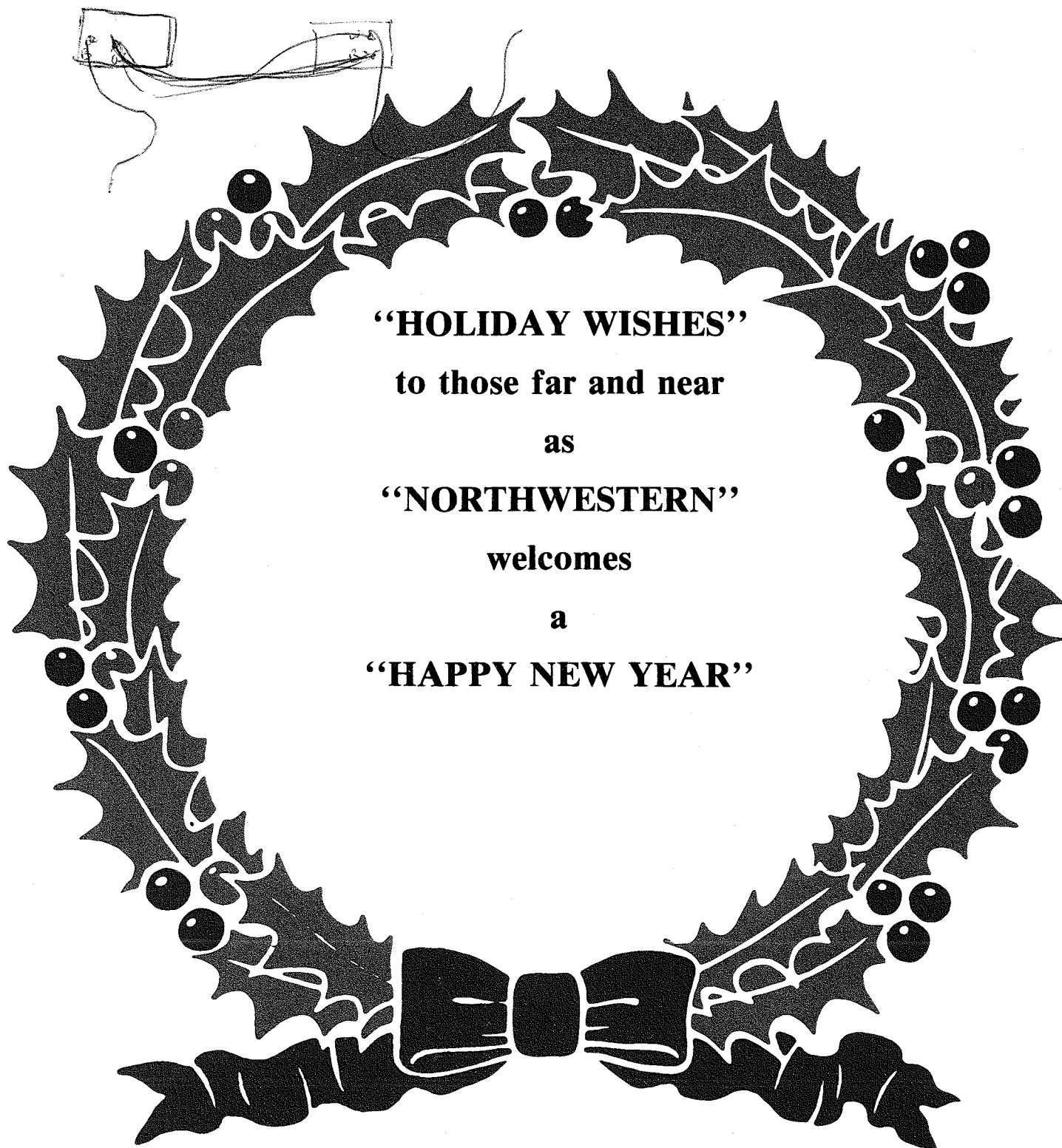


Northwestern
SINCE 1879
Sterling

November/December, 1987

The Lightning Bolt

NORTHWESTERN STEEL AND WIRE COMPANY - STERLING, ILLINOIS 61081



"HOLIDAY WISHES"

to those far and near

as

"NORTHWESTERN"

welcomes

a

"HAPPY NEW YEAR"

Employees Ponder ESOP Plan

A planned purchase of Northwestern Steel and Wire Company, which would include a partial employee buyout plan, is being led by Company President and Chief Executive Officer **Robert M. Wilthew**.

A combination of Company management personnel and United Steelworkers of America Locals 63 and 3720 held informational meetings November 11 at the Sterling Coliseum to explain the proposed buyout to both union and salaried employees.

Wilthew's efforts to purchase the Company, which has received strong support from the United Steelworkers leadership, centers on making Northwestern a privately owned company and preventing an outside buyout.

The employee buyout would be accomplished through an Employee Stock Ownership Program (ESOP).

One of the key points of the ESOP Plan would provide for 40% of the Company's stock to be purchased by employees, 40% by outside investors, and the remaining 20% by top management.

Eventually, over the next 5½ years, the ESOP would have the right to buy all of the investors' remaining shares that would assure the ESOP of owning at least 51% of the Company.

In return, the Plan calls for a 7% reduction in employee compensation, which would include wages and benefits. A reduction based on wages alone would amount to 8.5%.

During the informational meetings Wilthew highlighted the benefits of the ESOP Plan to employees:

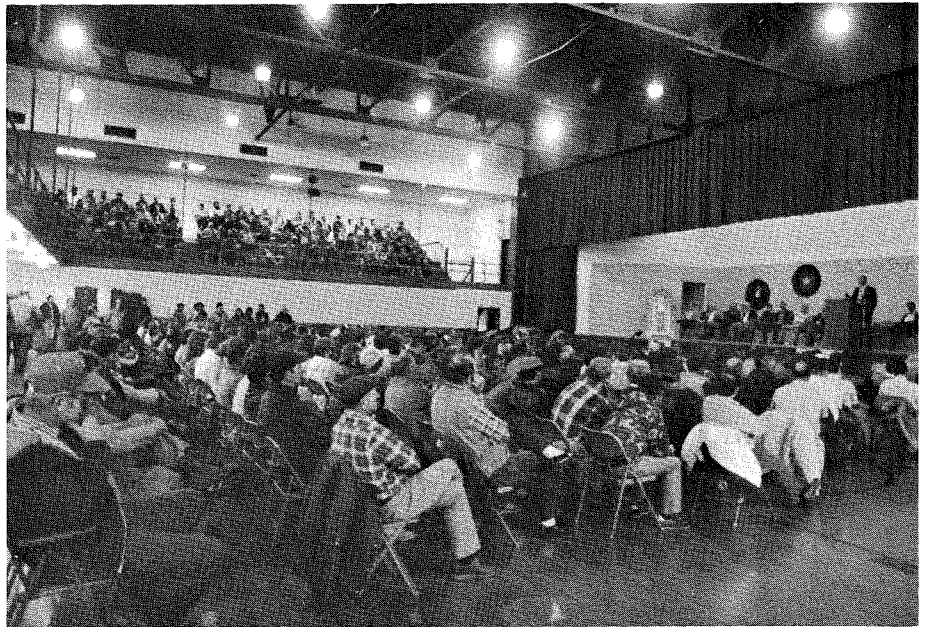
1. Some control in the future of the Company. (Should an outside bidder purchase the Company, employees could be powerless to stop unfavorable decisions by the new owners.)

2. Employee representation. There would be an 11-member Board of Directors - four from the investors and top management, four from the union and salaried ESOP, and three mutually agreeable parties.

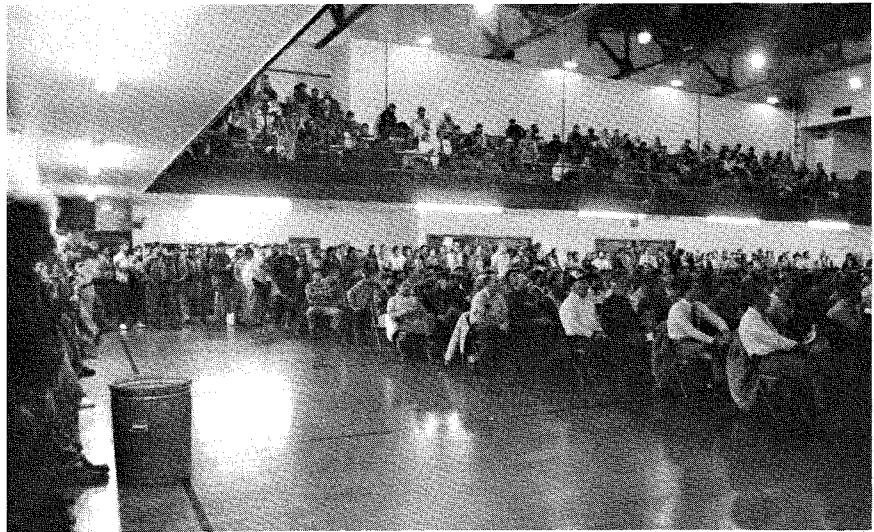
3. Labor peace. The Plan would call for a union contract until 1993.

4. Current pension plan will be unchanged.

5. The Company will continue its current course of action, including capital investments and management philosophy.



Robert M. Wilthew, President and Chief Executive Officer, outlines the points of the proposed Northwestern employee buyout at a general meeting of hourly and salaried employees recently at the Sterling Coliseum.



There was standing room only at the Coliseum as hourly and salaried employees attended one of two informational meetings concerning the proposed Northwestern employee buyout.

After the initial 7% reduction, there will be no wage increases for three years. In the fourth and fifth years employees would receive 4% wage increases, based on the wages then in effect.

Employees would gain ownership of their stock over a 5-7 year period, but would have the right to vote all of it immediately.

The profit sharing plan will continue in effect until the purchase of the Company is completed. At that time employees will receive a pay-out for any profits earned so far this year plus a one-time payment of \$10 million for union employees and a proportionate amount for all other employees (approximately \$2.3 million). There will be no profit sharing after that.

18 Years Later Deer Record Still Stands

3

When **Dennis Speers**, now a helper in the Nail Cutting Department, dropped a deer while hunting with a bow and arrow 18 years ago, he had no idea that he had bagged a record buck.

As of the 1987 hunting season, Speer's fabulous buck, which weighed 391 pounds on the hoof, remains an Illinois record.

Speers was recently featured in an outdoors column in a Quad Cities newspaper where he recalled the events of that big day in October, 1970.

"I knew it was a big one," he said. "But really, I was paying more attention to where I wanted to hit him than how big he was."

Speers, who has hunted since he was 17 years old, was perched in a tree about five feet from the ground. The tree overlooked fields of corn and soybeans, a likely place for a deer.

Speers got off a shot and the arrow went through the deer's neck, but it didn't drop him. "I wasn't surprised," Speers said. "It's very seldom that you drop a deer in his tracks with a single arrow."

"He ran what I'd estimate to be 100 yards, and he did that on pure reflexes. Then he fell and I climbed down from the tree and went to check to see if he was dead. It was then that I realized what a big animal he was."

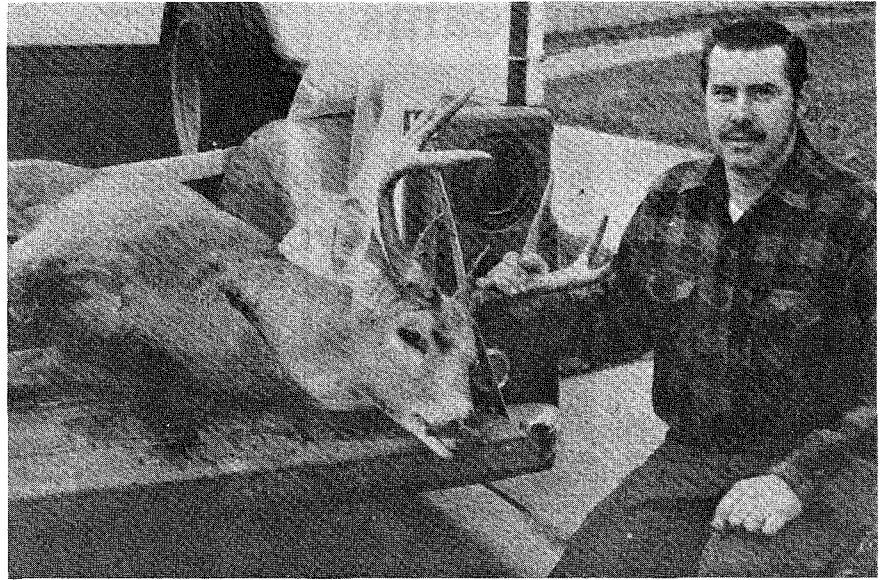
Speers, who hoped he had bagged something special, contacted a conservation officer to certify the kill and the size. That's how the 391-pounder came to the attention of the Illinois Department of Conservation. It was by 22 pounds the biggest deer ever harvested in Illinois. The previous record - the holder's name lost to antiquity - was 360 pounds live.

Bob Apple Nets 38-Pound Musky

Bob Apple, 12-Inch Mill, netted the largest musky in the Hayward, WI area this year, when he came home with a 38-pound, 4-ounce musky on Oct. 27.

The fish was caught in deep water when using a 1½-foot sucker on a cloudy, cold day with snow flurries on Lac Court Oreilles.

A year ago Apple caught a 31½-pounder on Spider Lake, WI.



Dennis Speers, helper in the Nail Cutting Department, poses with a record buck that he felled 18 years ago with a bow and arrow. As of the start of the 1987 hunting season, Speer's fabulous buck, which weighed 391 pounds on the hoof, remains an Illinois record.

Net Income Up For First Quarter

Net sales for fiscal quarter ended October 31, 1987 rose to \$107.1 million, up 9% over the comparable prior year quarter's net sales of \$98.3 million. Shipments in the fiscal quarter were 350,538 net tons, an increase of 10% over the comparative prior year quarter's shipments of 318,348 net tons. These favorable trends are a result of several programs that have rationalized certain operations and product lines in a continuing effort to emphasize improved margins on the product mix offered to the marketplace.

Net income of \$5.1 million or \$.68 per share compares with the comparable prior year net profit of \$2.5 million or \$.33 per share. This achievement has resulted in establishing the ninth consecutive profitable quarter. The accomplishment of a 104% profit improvement over the previous year's first fiscal quarter was primarily due to improved volume mix and operating improvements conducted during the fourth quarter of fiscal 1987.

The Company's major raw material purchase prices of scrap steel have increased at alarming rates during the

current fiscal year. Although we have announced price increases for our products in an effort to offset these large cost increases, a time lag is occurring due to a competitor induced projected order book period. Our backlog of orders remains strong and incoming orders continue to be encouraging. However, the escalating scrap costs remain a major concern going into the second quarter of our fiscal year. Additionally, the volatile financial markets and the eventual impact on the nation's economy could result in an adverse impact on steel and wire products consumption. Cash flow continues to be positive and the balance sheet demonstrates a continued strengthening of our financial position. Our capital expenditure programs are continuing along our aggressive planned schedules and will contribute to provide further improvements in our Company's performance.

The Annual Meeting of Shareholders was held in Sterling, Illinois, on November 18, 1987. Peter W. Dillon, Edward G. Maris and Robert M. Wilthew were elected as Class III
(continued on page 8)

Thinking Ahead May Mean Safe Christmas

Each year thousands of American families suffer needless injuries, loss of life and destruction of property due to accidents involving holiday decorations.

Many of these accidents, from the child taken to a hospital after swallowing pieces of a broken ornament, to the family burned to death in a home fire after a Christmas tree ignited, can be traced to unsafe or improperly used decorations.

To help you enjoy a safe holiday, here is some advice:

Trees. If you are planning to buy a natural tree, the most important safety factor is its freshness. The higher the moisture content of the tree, the less likely it is to dry out and become a serious fire hazard.

One way to insure that a tree is fresh, is to cut it yourself. Before you buy a cut tree, check it for freshness by bending the needles. Fresh needles bent between the fingers won't break. Tap the tree lightly on the ground - if many needles fall off, the tree is too dry.

Refill the tree holder with water, every day if necessary.

Lights. All lights should be fastened securely to the tree. Don't overload extension cords. Never put more than three sets of lights on any extension cord. Don't try to use indoor lights for outdoor lighting.



When you leave the house or retire for the evening, be sure that all lights are turned off by unplugging them from the wall outlet.

Tree Ornaments. Avoid placing breakable ornaments or ornaments with small detachable parts on lower branches where small children or pets can reach them and knock them off.

Christmas Fund Needs Volunteers To Buy Gifts

Volunteers are needed to do shopping for this year's Needy Children Christmas Fund.

Notices will be posted in all plants concerning the collections.

The shopping will take place in December, as most of the funds will be collected and needy families established and screened by December 1st.

Normally volunteers are assigned one family for which to buy.

Participating departments and divisions will be given more details as notices are mailed or posted.

If you wish to volunteer or have any questions please call **Bill Boesen**, extension 485 or 626-2081, or **Bev Boesen** at 626-2081.

Social Security Rates Will Increase In 1988

Effective January 1, 1988, the amount of wages subject to Social Security payroll taxes is to be increased from a base of \$43,800 to \$45,000. The Social Security tax rate will be increased to 7.51% in 1988.

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

	1988	1987	Increase
Employees	\$3,379.50	\$3,131.70	\$247.80
Employer	\$3,379.50	\$3,131.70	\$247.80

Also, effective with wages paid after December 31, 1987, there will be new income tax withholding tables reflecting the changes from the new tax bill signed into law by Congress.

Party Planning Tips

In planning your holiday parties, consider the following suggestions which may assist in sending your guests home sober.

- Arrange for activities or conversation that will reduce drinking. Offer non-alcoholic beverages -- some people are uncomfortable without a drink to hold and will drink alcohol rather than nothing.

- When guests arrive, offer food first. This will delay the rate of absorption of alcohol into the blood.

- Provide plenty of chairs -- people often drink more out of nervousness if they have to stand.

- Be your own bartender and use a jigger so that you do not overpour.

- Space the alcoholic drinks as much as possible. Guests should limit themselves to one drink per hour.

- Shut down the bar an hour before most of your guests leave. That allows more time for the alcohol to dissipate from their bodies.

- Finally, if a guest has become impaired for driving by an excess of alcohol, make sure there is a substitute driver. If necessary, drive the guest home yourself or call a cab.

Northwestern Anniversaries

November, 1987

35 Years

James E. Graham, 11/17/52, Plant 2 Pipefitters.

25 Years

Vella Simpson, 11/20/62, Salaried, Steno-Correspondent - Steel Division.

20 Years

Jose R. Rodriguez, 11/15/67, 14-Inch Mill Crane Operator.

15 Years

Steven R. Clark, 11/1/72, Electric Furnace Department Clerk.

James E. Dean, 11/4/72, 24-Inch Mill Crane Operator.

Albert Johnson, 11/6/72, Wire Mill Shipping.

James L. Kenney, 11/5/72, 14-Inch Mill Clerk.

Santiago D. Martinez, 11/6/72, 14-Inch Mill.

Baltazar M. Martinez, 11/8/72, 12-Inch Mill.

Forrest L. Gerdy, 11/8/72, Plant 5 Welder.

Michael L. Dunn, Salaried, 11/15/72, Inside Sales - Wire Products Division.

Rodney J. Dublo, 11/20/72, 46-Inch Mill Crane Operator.

5 Years

Michael W. Dugger, 11/12/82, Nail Department.

December 1987

40 Years

Robert E. Hubbard, 12/15/47, 24-Inch Mill.

25 Years

Robert T. Fielding, Jr., 12/11/62, Electric Furnace.

15 Years

Gary J. Ege, 12/18/72, Salaried, Plant 2 Mechanical.

5 Years

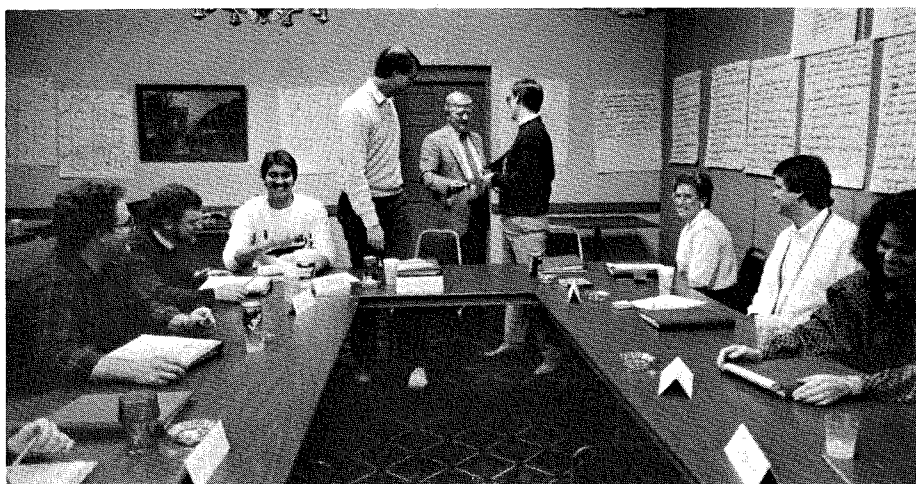
Manuel J. Atilano, 12/9/82, Wire Mill Drawing.

Phillip W. Nusbaum, 12/13/82, Wire Mill Drawing.

Jason W. Kermeen, 12/24/82, Nail Department.

Appointment Made

We have recently been informed that **Steve Kerber** has been named Electric Furnace/Caster Maintenance Supervisor, effective May 1, 1987.



Robert M. Wilthew, Northwestern President and Chief Executive Officer, (center) presents a certificate of completion of the QIP Training Program to **Tom Vercillo** (standing right) during graduation ceremonies recently. Other members of the Office Team No. 2 QIP Team are: **Andy Moore**, **Steve Johnson**, **Ron Burgess**, **Sandy Loos**, **Craig DeWitt**, **Karen Galbreath**, **Lonnie Fisher**, **Kenny Walls** and **Hal Gerber**.

Northwestern's Offices Are Brightened With Holiday Decorations.



What's New At NSW

Caster Projects For Fiscal 1988

A revamp of two strands on the Bloom Continuous Caster Machine to allow Northwestern to cast a 16" x 12" x 3-7/8" beam blank is planned for implementation by the end of Fiscal 1988. This section will supply the semi-finished material for the 16" and 18" beams on the 24-Inch Mill.

Equipment to enable the casting of a 13" x 11" beam blank is also on order. This blank will supply semi-finished material for the large 10" beams on the 24-Inch mill.

A third project is the moving of the 9 3/4" x 6" section from the Bloom Machine to the Billet Machine. This will relieve the load on the Bloom Machine enough to allow for the additional semi-finished needed for the larger beams.

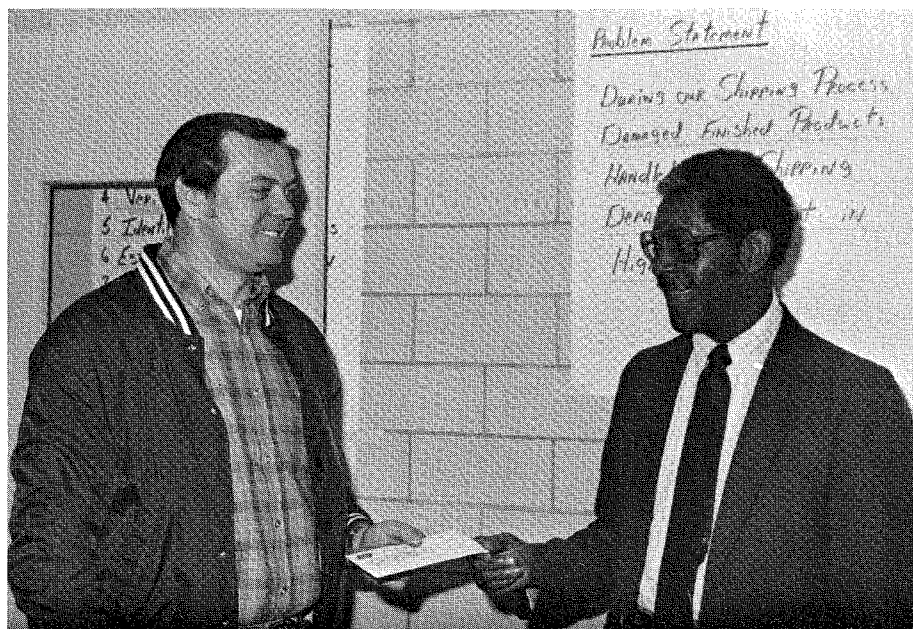
The total cost for these projects will be approximately \$2,500,000. These projects, when in place, will allow us to cast all the semi-finished material for the 24-Inch Mill at a substantial savings over the cost of semi-finished material coming from the 46-Inch Mill.

24-Inch Mill Furnace

The new 24-Inch Mill Walking Hearth Reheat Furnace is proceeding on schedule. Water piping has been rerouted and demolition of the old boiler and foundations have been completed. Construction of the furnace foundations began in mid-November. Completion of the furnace is scheduled for July 1, 1988.

Blacktopping Completed On Ave. K

Wallace Street was blacktopped from Ave K east approximately 1,000-feet.



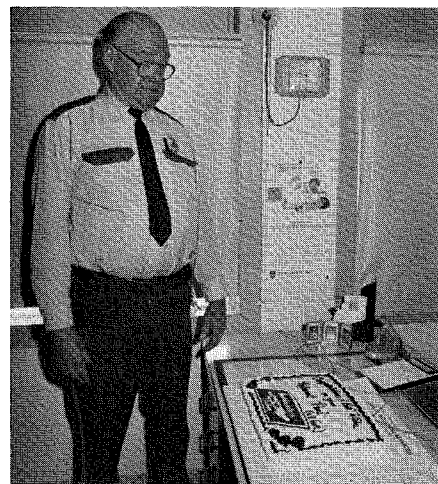
Leo Lewis (left), Assistant Roller, 12-Inch Mill, receives a check for \$1,135 for his suggestion to roll 7/16-inch rod on the 12/64-inch roll line instead of the 1/4-inch roll line. The expected first year's savings to the Company through implementation of this suggestion amounts to \$11,327. Presenting the award is Jim Hale, Human Relations Department.

NSW 1988 Summer Work Job Applications

Applications for summer work will be taken December 28, 1987 through December 31, 1987.

Interested students should apply through:

Illinois Job Service
2323 E. Lincolnway
Sterling, IL 61081



Paul Feldthouse, Northwestern Guard, views a cake given him by fellow employees on his last day with the Company prior to retirement.

Leo Lewis Receives Suggestion Award

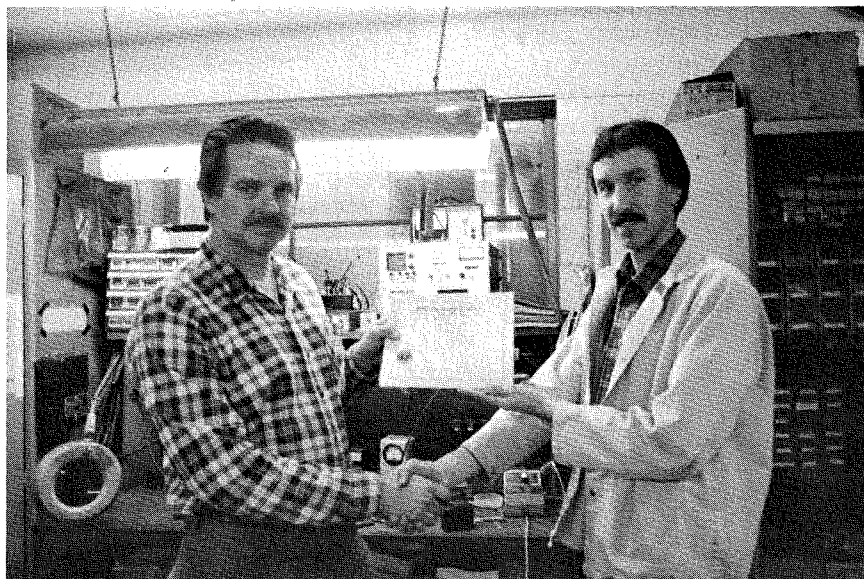
Leo Lewis, Assistant Roller, 12-Inch Mill, was recently awarded \$1,135 for his suggestion to roll 7/16-inch rod on the 12/64-inch roll line instead of the 1/4-inch roll line.

In addition to the line switch, Lewis suggested finishing out of the number 21 stand instead of the number 19 stand.

The 7/16-inch rod has been successfully rolled on the 12/64-inch roll line with improved rod quality through reduction of scabs and nicks.

In addition, a reduction of downtime has also been realized.

The expected first year's savings through implementation of this suggestion is \$11,327.00. The Company's Suggestion Award Program pays 10% of the Company's expected first year's savings to the employee who submits an approved suggestion.



Dick Williams (left), Electric Repair Shop, is presented with a certificate of completion of the home study course in Instrumentation and Process Control by Jim Patterson. Other courses offered as part of Northwestern's home study program include hydraulics control, radios, DC drives, programmable controllers, computer control systems and the ASEA Mill Control System.

Dick Williams First To Complete Training

Dick Williams, an electrician at the West Plant Rewind Shop, is the first to complete a home study course on Instrumentation and Process Control.

The course deals with controlling various plant processes, such as flow, pressure, and force.

Instrumentation and Process Control is one part of several fields of training conducted in the home study program. Other courses include hydraulics control, radios, DC drives, programmable controllers, computer control systems and the ASEA Mill Control System.

Texts and other supplies are provided by the Company and employees take periodic exams on the material during training.

"I think this is a great program," Williams said. "I feel that there are great possibilities for other maintenance departments to offer similar educational opportunities."

Generic Prescription Drugs Update

Since August 1st over 17,000 prescriptions have been filled at Walgreen Pharmacies nationwide under the Northwestern Prescription Drug program.

A large percentage of these prescriptions have been generic drugs which cost the employee nothing. There are still, however, a number of doctors who are reluctant to prescribe generics even though it will save their patients money.

All generic drugs are tested by the FDA for bioequivalence which measures how much of the drug is absorbed into the bloodstream and how fast. A recent review by the FDA calculated the average difference in bioequivalence between brand-name drugs and their generic copies as only 3.5% - no greater than the difference between one batch of a brand-name and another batch off the same assembly line.

The FDA recently stated that it is not aware of a single documented case in which any of the 5,000 generics approved has caused a treatment problem.

The brand-name drug companies have spent millions of dollars in a cam-

paign to protect their profits from being lowered by the consumer's use of generic drugs.

Misleading advertisements in medical journals and sensational headlines over unsubstantiated stories in newspapers and newsletters are favorite tactics of these companies. An even more blatant attempt at discrediting generics is done by "sponsoring" non-profit organizations to "investigate" problems allegedly caused by generic medication. The brand-name drug sales representatives also frequently sponsor medical society meetings, dinners and seminars to buy physician loyalty.

Generic drugs can save you and your company money. It is up to you to request generics from your doctor. Ask your pharmacist if your prescription is available as a generic. Your pharmacist can provide the doctor with bioequivalency data on request.

For more information on generic drugs contact your pharmacist or the Insurance Department.

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Primary Metals Leads All Industry In Benefit Costs

Employee benefit costs have exploded over the past 20 years, increasing nearly eightfold across the board, according to U.S. Chamber of Commerce surveys.

And leading the explosion in benefit costs has been the primary metals industry, which saw a whopping 585% increase in the period 1965-1985.

The cost of benefits per employee in the primary metals industry surged to \$11,344 in 1985 from \$1,656 in 1965.

Increased benefits and increased costs of benefits were the leading causes of the tremendous increase in costs over the 20 year period.

For example, group life insurance and group health insurance expenditures in 1965 cost employers an average of \$184 per employee. But by 1985, those costs had soared to an average of \$1,561 per employee, a gain of 748.4%.

Social Security payroll taxes, which cost an average of \$163 per employee in 1965, zoomed 776.1% to an average of \$1,428 per employee in 1985.

QIP Team Addresses Customer Complaints

Northwestern's Quality Office Team No. 1, attempting to improve the Company's response to customer complaints, has re-designed a complaint form and made several recommendations to the QIP Steering Committee for improving the handling of such complaints.

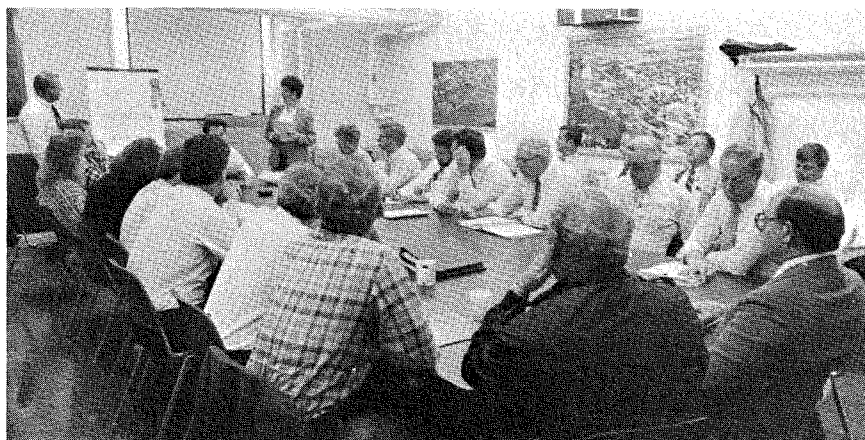
The new complaint form is considerably shorter and easier to fill out. The Team felt that many customer complaints were not being passed on because the original form was too complicated.

To facilitate the reduction of errors the Steering Committee approved two recommendations of the Team: These recommendations are:

1. Salesmen should encourage customers to mail in confirming orders so that vital details concerning the orders can be reviewed. Verbal orders, it is believed, have led to misunderstandings and errors.

2. Wire Products inside sales personnel will be involved in more extensive training to include exposure to the Quality Assurance Department and Credit and Pricing Departments.

Members of the Quality Office Team No. 1 are: **Dan Over** and **Gary Budde**, Co-Leaders; **Vella Simpson** and **Kermit Reins**, Co-Recorders; **Joyce Cantrell**; **Liz Rosenow**; **Judi Golden**; **Don Olson**; **Paul Lester**, and **Phil Droege**.



Joyce Cantrell and Phil Droege speak on behalf of the Office Team No. 1 QIP Team during its presentation to the Steering Committee recently. The Team's problem dealt with more effective handling of customer complaints.

First Quarter Income Up

(continued from page 3)

directors for terms expiring 1990; Edward J. Enichen and Ole B. Pace as Class II directors for terms expiring 1989; and John P. Conway as a Class I director for a term expiring in 1988. Other directors whose terms will continue after the Annual Meeting as Class I directors are Jon G. Bowman and W. Martin Dillon.

In prior communications to shareholders and customers, there has been continued emphasis on expanding involvement of the employees and their contribution to the favorable performance of the Company. There are currently twenty-six teams in place addressing operating, process and procedural problems. These efforts have

resulted in very encouraging solutions; and, no doubt are a positive, contributing factor to the Company's performance. An additional sixteen teams will receive formal training in the team problem solving process for a total of forty-two active teams during 1988. With this growing team effort, the Northwestern Steel and Wire Company is prepared to meet competitive challenges, manage future risks and demonstrate continued profitability.

Robert M. Wilthew
President and
Chief Executive Officer



Jerry Shinville (far right), Northwestern Quality Assurance Manager, stands with members of Miller Compressing after the company was honored by Northwestern as "Quality Scrap Supplier Of The Year." Shown with the plaque are (from left to right) Bob Miller, Lenny Siesco, and Ken Obarski.

Rausa Named Manager, Training And Development

Frank Rausa has been appointed Manager, Training and Development, in the Human Resources Division.

His primary responsibilities will include coordinating the activities of the Facilitators for the Quality Improvement Program, and to organize and coordinate the training and education program for all employees of Northwestern Steel and Wire.

12-Inch Mill Records Set

Several rolling records have been established at the 12-Inch Mill.

A new monthly rolling record was established in October. The new record is 34,301.8 tons. The old record of 33,725.4 tons was established in April 1987.

An eight-hour record was established on the 11-7 shift (C Crew) November 3 when 625.2 tons were rolled. The old mark had been 605.4 tons, which was established January 30, 1986.

A 24-hour record also fell on November 3 as 1,714.1 tons were rolled. The old record of 1,637.9 tons was established on July 4, 1987.

On November 7, an eight-hour rolling record was established by the A Crew on the 3-11 shift at the 12-Inch Mill. A record 515.5 tons of 7/32 rod was established. The old mark of 502.2 tons was set March 12, 1986.