

OREGON STEEL MILLS INC  
Form DEF 14A  
March 31, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.**

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary proxy statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive proxy statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

**OREGON STEEL MILLS, INC.**

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing proxy statement, if other than Registrant)

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**OREGON STEEL MILLS, INC.**

**Notice of Annual Meeting of  
Stockholders  
and Proxy Statement  
2006**

**Thursday, April 27, 2006  
8:00 a.m. Pacific Time**

**Broadway/Symphony Room  
Heathman Hotel  
1001 S.W. Broadway  
Portland, Oregon 97205**

**Please vote promptly by**

telephone,

the Internet or

marking, signing and returning your proxy or voting instruction card.

**OREGON STEEL MILLS, INC.**

**Notice of Annual Meeting of Stockholders  
on April 27, 2006**

Dear Stockholder:

You are invited to attend the Annual Meeting of Stockholders of Oregon Steel Mills, Inc. in the Broadway/Symphony Room of the Heathman Hotel, 1001 SW Broadway, Portland, Oregon, on April 27, 2006, at 8:00 a.m. Pacific Time.

The meeting is being held for the following purposes:

1. To elect three Class C directors; and
2. To consider and transact such other business as may properly come before the meeting or any adjournment thereof.

You are entitled to vote at the meeting if you were a stockholder of record of Oregon Steel Mills, Inc. common stock at the close of business on March 1, 2006.

Whether or not you plan to attend the meeting, and regardless of the number of shares you own, **please vote as soon as possible**. You may vote your proxy by telephone, via the Internet, or by marking, signing and dating the enclosed proxy card and returning it in the envelope provided. You will find instructions on the proxy card.

By Order of the Board of Directors,

**Jennifer R. Murray**

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Vice President Administration and Corporate  
Secretary

March 27, 2006

Oregon Steel Mills, Inc.  
1000 S.W. Broadway  
Suite 2200  
Portland, Oregon 97205

**OREGON STEEL MILLS, INC.**  
1000 S.W. Broadway, Suite 2200, Portland, Oregon 97205

**PROXY STATEMENT**

**INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

We have sent you this proxy statement because the Board of Directors (the Board) of Oregon Steel Mills, Inc. (Oregon Steel or the Corporation) is asking you to give your proxy (that is, the authority to vote your shares) to the proxy identified on your proxy card, so they may vote your shares on your behalf according to your instructions at our Annual Meeting of Stockholders.

We will hold the meeting on Thursday, April 27, 2006, at 8:00 a.m. in the Broadway/Symphony Room of the Heathman Hotel, 1001 SW Broadway, Portland, Oregon. The proxy statement contains information about the matter being voted on and other information that may be helpful to you. We began the mailing of the proxy statement, the proxy card and the 2005 annual report on or about March 27, 2006.

**QUESTIONS AND ANSWERS**

**Q: Who is entitled to vote at the Annual Meeting?**

A: You may vote if you were a holder of Oregon Steel Mills, Inc. common stock (Common Stock) at the close of business on March 1, 2006 (the Record Date). Each share of Common Stock outstanding on the Record Date is entitled to one vote per share at the Annual Meeting of Stockholders. There are no cumulative voting rights. At the close of business on the Record Date, the Corporation had 35,714,557 shares of Common Stock, outstanding.

**Q: What may I vote on?**

A: There is one proposal to be voted on: the election of three nominees to serve as Class C Directors. We are not aware of any other matter to be presented for action at the Annual Meeting.

**Q: How does the Board of Directors recommend I vote?**

A: The Board of Directors recommends a vote FOR each of the three nominees for director.

**Q: How do I vote?**

A: You may vote your shares by telephone or over the Internet by following the instructions on the enclosed proxy card. You may also vote by signing and dating the enclosed proxy card and returning it in the prepaid envelope provided. If you own your shares through a broker, bank or other intermediary, follow the instructions on the voting instruction card that will be sent to you by them.

**Q: How will my proxy be voted?**

A: The proxies identified on your proxy card will vote your shares at the meeting in accordance with your instructions. The proxy permits the stockholders to direct the proxy holders to vote FOR ALL, withhold votes for all, or withhold votes for a particular nominee for director. If no instructions are specified, the shares will be voted FOR each of the three nominees for director, and such votes will be counted toward determining a quorum. Shares held of record by the Trustee of the Oregon Steel Mills, Inc. Thrift Plan (the 401(k) Plan) will be voted by the Special Trustee in accordance with instructions received from 401(k) Plan participants holding shares rolled over from the terminated Employee Stock Ownership Plan (ESOP), or if no such instructions are received, the Special Trustee will vote or take other action as the Special Trustee deems appropriate.

**Q: May I change my vote?**

A: If you are a stockholder of record, you may change your vote or revoke your proxy at any time before your shares are voted at the meeting, by:

- (i) written notice of such revocation to the Secretary of the Corporation at the above address;
- (ii) a later-dated proxy (including an Internet or telephone vote) received by the Corporation; or
- (iii) attending the meeting and voting in person. Attendance at the meeting will not by itself revoke a proxy.

**Q: Can brokers vote on the election of directors?**

A: The New York Stock Exchange permits brokers to vote their customers' shares on routine matters when the brokers have not received voting instructions from their customers. The election of directors is considered a routine matter, and brokers may vote FOR Proposal 1 unless you direct otherwise.

**Q: How many votes are required?**

A: If a quorum is present at the Annual Meeting, for Proposal 1, the three nominees for election as directors who receive the greatest number of votes cast by the shares present in person or represented by proxy at the Annual Meeting will be elected directors. Withheld votes are treated as votes cast against the nominee, but do not affect whether a nominee has received sufficient votes to be elected.

**Q: What constitutes a quorum?**

A: The holders of a majority of the shares of common stock outstanding, present in person or represented by proxy at the Annual Meeting, constitute a quorum. There must be a quorum for the meeting to be held. Abstentions and broker non-votes (shares held by a broker that does not receive authority to vote on a particular matter) are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting.

**Q: Who counts the votes?**

A: ADP Investor Communication Services will tabulate the votes in a confidential manner and Jeff S. Stewart, the Corporation's Treasurer, will act as inspector of election.

**PROPOSAL 1 ELECTION OF DIRECTORS**

The Corporation has a classified Board consisting of three Class A directors, Messrs. Kinnune, Parkinson, and Wilcox; two Class B directors, Messrs. Demorest and Reynolds; and three Class C directors, Messrs. Declusin, Neun, and Walker. Class A and B directors serve until the Annual Meetings of Stockholders to be held in 2007 and 2008, respectively, and until their successors are elected and qualified. At each Annual Meeting of Stockholders, directors are elected for a term of three years to succeed those directors whose terms expire at that annual meeting.

The nominees for election as Class C directors are James E. Declusin, Carl W. Neun, and Frank M. Walker. They are each members of the present Board. Each nominee is a director standing for reelection and each has consented to serve if elected. The Corporation does not pay a fee to any third party to identify or evaluate or assist in identifying or evaluating potential nominees. The Class C directors to be elected at the 2006 Annual Meeting will serve until the Annual Meeting of Stockholders in 2009 and until their successors are elected and qualified.

Unless authority to vote for a director is withheld, the accompanying proxy, if properly executed and returned, will be voted for the election of the Class C nominees named below. If authority to vote for the nominees is withheld, the withheld votes will not be cast for any other nominee. If any nominee is unable or unwilling to serve as a director, proxies may be voted for such substitute nominee as may be designated by the Board. The Board has no reason to believe that any nominee will be unable or unwilling to serve as a director if elected.

As part of the 2004 settlement of the labor dispute between the Corporation and the United Steelworkers of America and during the term of the collective-bargaining agreements, the United Steelworkers of America has the right to designate an individual to serve on the Board and, subject to certain procedures, the Board will appoint such individual to the Board and the Board will recommend such individual for election by the stockholders to serve a regular term at the next Annual Meeting of Stockholders. As of the date of this proxy statement, no individual has been appointed.

The following sets forth information with respect to the persons nominated for election as Class C directors and each other director, including their names and ages as of March 1, 2006, business experience during the past five years, and directorships in other publicly traded corporations.

**Class C Nominees Standing For Election - Terms Expiring in 2009**

**James E. Declusin** Mr. Declusin, age 63, is President and Chief Executive Officer of the Corporation, serving since August 2003. He has served as a director of the Corporation since 2000. Mr. Declusin spent sixteen years with California Steel Industries, most recently serving as Senior Executive Vice President and Chief Operating Officer, retiring on October 31, 2000.

**Carl W. Neun** Mr. Neun, age 62, is Chairman of the Corporation's Board of Directors. Mr. Neun was Senior Vice President and Chief Financial Officer for Tektronix, Inc., an electronics manufacturing company, from 1993 until his retirement in 2000. He has served as a director of the Corporation since 2002 and was appointed Chairman in August 2005. Mr. Neun also serves on the boards of RadiSys Corporation, Planar Systems, and Powerwave Technologies.

**Frank M. Walker** Mr. Walker, age 60, is President, Chief Executive Officer and a Director of Feralloy Corporation, a steel processing and distribution corporation. He has held these positions since 1993. Mr. Walker has served as a director of the Corporation since 2002. He also serves on the board of Delta Steel, Inc.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE *FOR* THE NOMINEES.**

**DIRECTORS CONTINUING IN OFFICE**

**Class A Directors Terms Expiring 2007**

**William P. Kinnune** Mr. Kinnune, age 66, is a former Executive Vice President of Willamette Industries, Inc., a diversified wood products company. While at Willamette Industries, Inc., he held the position of Executive Vice President of the Corrugated, Bags, Specialty Products, Board and Paper Division from 1985 to 2002. Mr. Kinnune has served as a director of the Corporation since 2004. He is also a director on the board of AGE Industries, Inc.

**David L. Parkinson** Mr. Parkinson, age 67, is Chairman and Chief Financial Officer of the Arizona Railroad Group, a short line railroad holding company. He was Chairman and Chief Executive Officer of ParkSierra Rail Group from 1991 to 2002. Mr. Parkinson has been a director of the Corporation since 2001.

**Brett Wilcox** Mr. Wilcox, age 52, is the Chief Executive Officer of Summit Power Alternative Resources and is a member of the Summit Power Group, which manages projects to develop wind generation and other alternative power resources. He is also a consultant for Golden Northwest Aluminum Holding Company. Mr. Wilcox previously was Chief Executive Officer of Golden Northwest Aluminum Inc., and its subsidiaries. On December 22, 2003, Golden Northwest Aluminum, Inc. and its subsidiaries, Goldendale Holding Company, Goldendale Aluminum Company and Northwest Aluminum Technologies, LLC filed petitions for relief under Chapter 11 in the United States District Court for the District of Oregon and on November 10, 2004, two other subsidiaries, Northwest Aluminum Company and Northwest Aluminum Specialties, Inc. filed petitions for relief under Chapter 11. The companies emerged from bankruptcy under a confirmed plan of reorganization in March 2005. Mr. Wilcox has been a director of Oregon Steel since 2004.

**Class B Directors Terms Expiring 2008**

**Harry L. Demorest** Mr. Demorest, age 64, is President and Chief Executive Officer and a director of Columbia Forest Products, Inc., Portland, Oregon, a position he has held since March 1996. He has served as a director of the Corporation since 2001.

**Stephen P. Reynolds** Mr. Reynolds, age 58, is Chairman, President and Chief Executive Officer of Puget Energy and Puget Sound Energy, Bellevue, Washington. Prior to joining Puget Energy in January of 2002, Mr. Reynolds served as President and Chief Executive Officer of Reynolds Energy International, an energy advisory firm in Houston, Texas. He has been a director of the Corporation since 1999. Mr. Reynolds also serves on the Board of Directors of Intermech Corporation.



## INFORMATION ABOUT THE BOARD AND CORPORATE GOVERNANCE

### THE BOARD'S COMMITTEES AND THEIR FUNCTIONS

The Board has standing Executive, Audit, and Nominating/Corporate Governance and Compensation Committees.

#### Executive Committee

The Executive Committee may exercise all the authority of the Board, subject to the actions of the full Board and except as otherwise provided by the Corporation's restated certificate of incorporation, the Corporation's bylaws or applicable law. The members of the Executive Committee from January to August 31, 2005, were Messrs. Declusin, Demorest, and Swindells and from September 7, 2005, were Messrs. Declusin, Demorest, and Neun. The Chairman of the Board is an ex officio member of each of the other Committees, and as such he is invited to attend all of their meetings but he does not vote. From January to August 31, 2005, Mr. Swindells was Chairman and from September 7, 2005, Mr. Neun has been Chairman.

#### Audit Committee

The Audit Committee's purpose is to assist Board oversight of: (i) the integrity of the Corporation's financial statements, (ii) the Corporation's compliance with legal and regulatory requirements, (iii) the independence and qualification of the outside auditors, and (iv) the performance of the Corporation's internal audit function and outside auditor. During 2005, the members of the Audit Committee were Messrs. Demorest, Neun, Parkinson, and Wilcox.

#### Nominating/Corporate Governance and Compensation Committee

The functions of the Nominating Committee and Compensation Committee are combined into the Nominating/Corporate Governance and Compensation (Nominating/Compensation) Committee. During 2005, the members of the Nominating/Compensation Committee were Messrs. Walker, Kinnune, and Reynolds. The Board has determined that each member of the Nominating/Compensation Committee is independent, as independence is defined in the New York Stock Exchange listing standards. The Nominating/Compensation Committee charter, as amended from time to time, is available on the Corporation's website at [www.osm.com](http://www.osm.com).

#### Nominating/Corporate Governance Functions

The purposes of this Committee in the areas of Nominating/Corporate Governance are to (i) identify individuals qualified to become Board members, consistent with criteria approved by the Board, and to select or to recommend that the Board select, the director nominees for the next annual meeting of stockholders; (ii) develop and recommend to the Board a set of corporate governance guidelines applicable to the Corporation; and (iii) oversee the evaluation of the Board and Corporation management.

The Nominating/Compensation Committee will, with direct input from the Chairman of the Board and the Chief Executive Officer of the Corporation, identify qualified individuals to become directors, and make recommendations to the full Board for approval. It is expected that all directors will be alert to potential board candidates with appropriate skills and characteristics and communicate such information to the Committee. The Committee will consider stockholder suggestions as to nominees for directors, such suggestions should be addressed to the Secretary of the Corporation at its principal executive offices and contain the information required by Section 1.2 of the Corporation's bylaws. The information required includes the name, age, business address, and residence address of the proposed nominee, the principal occupation or employment of the proposed nominee, the number of shares of the Corporation held by the proposed nominee, any other information required by the SEC rules to be disclosed in a proxy statement and a written consent of the proposed nominee to being named as a nominee and to serve as a director if elected. In addition, the proposing stockholder must provide such stockholder's name and address, the number of shares of the Corporation held by the stockholder, a description of any arrangement between the proposed nominee and the stockholder, confirm that the stockholder will appear at the meeting to nominate the proposed nominee and any other information required by the SEC rules to be disclosed in a proxy statement. The Corporation's Corporate Governance Guidelines specify that the Board seeks directors from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation of integrity and are selected based upon contributions such nominees can make to the Board and management. In addition, any nominee should have experience in positions with a high degree of responsibility, be a leader in the organization with which the nominee is affiliated, understand the Corporation's business environment and be free from relationships or conflicts of interest that could interfere with the director's duties to the Corporation and its

stockholders. The nominee must be willing to devote sufficient time to carrying out the director's duties and responsibilities effectively and should be committed to serve on the Board for an extended period of time. The Committee may also develop and recommend to the Board additional criteria for selecting new directors, including background, skills, experience, age, diversity, time availability (including the number of other boards the person sits on), needs of the Board and current and further business directions of the Corporation. Although the Committee has not adopted specific criteria, any proposed nominees must meet the qualifications set forth in the Corporate Governance Guidelines and additional criteria, when adopted. Assuming compliance with the procedures, there would be no differences in the evaluation of a proposed nominee if the proposed nominee is recommended by a stockholder. The Corporation received no notice of a director candidate recommended by a stockholder or group within 120 days before the anniversary of the prior year's release of the proxy statement.

In order to be considered for the 2007 Annual Meeting of Stockholders, such suggestions should be received by no later than November 28, 2006.

### **Compensation Functions**

The purposes of the Committee in the areas of compensation are to have direct responsibility to (i) review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and either as a committee or together with the other independent directors (as directed by the Board), determine and approve the CEO's compensation based on this examination; (ii) make recommendations to the Board with respect to non-CEO executive officer compensation and incentive compensation and equity-based plans that are subject to Board approval (the Board may delegate such authority to the Committee); and (iii) produce an annual report on executive officer compensation as required by the SEC for inclusion in the Corporation's proxy statement or Form 10-K.

### **BOARD AND COMMITTEE MEETINGS**

During 2005, the Board held 7 meetings, the Audit Committee held 5 meetings, and the Nominating/Compensation Committee held 6 meetings. Each incumbent director attended at least 75% of the aggregate number of Board meetings and meetings of committees of which he is a member which were held during the period for which he was a director.

### **Executive Sessions**

The Board meets in executive session without management at the conclusion of each regular Board meeting. Mr. Neun as Chairman of the Board was selected to preside at the executive sessions of non-management directors.

### **COMMUNICATIONS WITH NON-MANAGEMENT DIRECTORS**

Anyone who has a concern about the Corporation's conduct, accounting, internal accounting controls, or auditing matters may communicate that concern directly to the non-management directors, or to the Audit Committee. Concerns may be submitted confidentially or anonymously. Submissions may be e-mailed, submitted in writing, or reported by phone to a toll-free phone number -1-800-826-6762. This contact information is published on the Corporation's website, [www.osm.com](http://www.osm.com). Submissions for non-management directors will be reviewed by the presiding director of the non-management directors, Mr. Neun and submissions for the Audit Committee will be reviewed by the chair of the Audit Committee, Mr. Demorest.

### **GOVERNANCE DOCUMENTS AND DIRECTORS' POLICIES**

The Corporation has adopted Corporate Governance Guidelines, a Code of Business Conduct and Ethics, Codes of Ethics for the Chief Executive Officer and Senior Financial Professionals, Audit Committee Charter and Nominating/Compensation Committee Charter. Each of these documents is available on the Corporation's website, [www.osm.com](http://www.osm.com), and the information is available in print to any stockholder who requests it. In addition to these guidelines, codes, and charters, and the Corporation's bylaws and certificate of incorporation, the Board's policy is that all directors should attend the Annual Meeting and in 2005, all directors attended the Annual Meeting.

## **OTHER RELATIONSHIPS**

Oregon Feralloy Partners is a joint venture between Feralloy Corporation ( Feralloy ) and the Corporation that processes plate from hot roll coil product produced by the Corporation. Feralloy is the operating partner and owns 40% and the Corporation owns 60% and leases certain real property in Portland, Oregon. During 2005, Feralloy 's pro rata share of payments for plate processing transactions amounted to approximately \$1.7 million. Mr. Walker is the President and Chief Executive Officer of Feralloy.

## **INDEPENDENCE OF DIRECTORS**

In February 2006, the Board affirmatively determined that each of the following directors is independent as required by the New York Stock Exchange listing standards: Harry L. Demorest, William P. Kinnune, Carl W. Neun, David L. Parkinson, Stephen P. Reynolds, Frank M. Walker, and Brett Wilcox. As such, the Board is composed of a majority of independent directors. In making that determination, the Board, relying in part on responses to questionnaires completed by each director, concluded that except for Messrs. Walker and Declusin, the other directors had no relationships with the Corporation (either directly or indirectly as a partner, stockholder, or officer of an organization that has a relationship with the Corporation) except as a director. With respect to Mr. Walker, the Board determined that Mr. Walker was independent finding that Mr. Walker 's and Feralloy 's relationship with the Corporation was not material. The bases of that determination were (i) the relationship did not fall within any of the disqualification provisions specified by the New York Stock Exchange listing standards; (ii) the relationship between the Corporation and Feralloy is not material in the Board 's opinion in that it represents less than 1% of the Corporation 's business and less than 1% of Feralloy 's business for each of the three years ended 2003, 2004, and 2005; and (iii) except for the Oregon Feralloy Partners ' relationship, there were no other material relationships between Mr. Walker and the Corporation, including commercial, industrial, banking, consulting, legal, accounting, charitable, and familial.

## **COMPENSATION OF DIRECTORS**

During 2005, the Corporation paid non-employee directors an annual retainer and attendance fees and an additional retainer to committee chairs and the Lead Outside Director. The annual fee is \$25,000, payable after the annual stockholders ' meeting. The attendance fees are \$1,200 for each Board and committee meeting attended and reimbursement of expenses. The Lead Outside director receives an additional annual retainer of \$6,000. The Committee chairs for the Audit Committee and Nominating/Compensation Committee each receive an additional annual retainer of \$4,000. Mr. Declusin, who is a full-time employee of the Corporation, does not receive additional fees for serving on the Board, for serving on any committee or for attending any Board or committee meetings.

Under the 2005 Long-Term Incentive Plan approved by Stockholders on April 28, 2005, the Non-Employee Directors ' Equity Compensation Plan (the Directors ' Plan ) provides for each of the non-employee directors to receive an annual grant of restricted stock equal to \$25,000 on the date of the annual meeting, vesting in equal increments over three years, and initial grants for new directors equal to \$30,000 on the date of appointment, vesting in equal increments over three years. Pursuant to the Directors ' Plan, on April 28, 2005, each of the non-employee directors received a grant of 1,622 restricted shares, worth \$15.41 per share or \$25,000 on the grant date, which vest over three years.

Upon Stockholder approval of the 2005 Long-Term Incentive Plan, further grants under the 2002 Non-Employee Directors ' Stock Option Plan were discontinued; however, existing stock option grants continue to vest. No stock options were granted to directors in 2005.

The Board terminated the Oregon Steel Mills, Inc. Directors ' Retirement Plan (the Retirement Plan ) as of December 31, 2001. In terminating the Retirement Plan, the Board approved terms of payment for the vested benefits of Mr. William Swindells, an outside director since 1994. Based on that arrangement, during 2005 Mr. Swindells received the fifth of six annual payments of \$22,752.

**PRINCIPAL STOCKHOLDERS**

The following table sets forth certain information regarding the beneficial ownership of shares of the Common Stock as of March 1, 2006, by each person known to the Corporation to be a beneficial owner of more than 5% of the outstanding shares of Common Stock. The persons named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to the table.

Name	Number of Shares	Percentage of Class
FMR Corp. <sup>(1)</sup> 82 Devonshire Street, Boston, MA 02109	5,337,015 <sup>(1)</sup>	14.94%
Jeffrey L. Gendell, et al. <sup>(2)</sup> 55 Railroad Avenue, 3rd Floor, Greenwich, CT 06830	3,093,400 <sup>(2)</sup>	8.66%

<sup>(1)</sup> Based upon information obtained from Schedule 13G, dated February 10, 2006, filed by FMR Corp. with the Securities and Exchange Commission, Fidelity Management and Research Company, a wholly-owned subsidiary of FMR Corp. is the beneficial owner of 5,121,915 shares. Edward C Johnson, III and FMR Corp., through its control of Fidelity Management and Research Company, each has sole power to dispose of 5,121,915 shares owned by the funds. Edward C. Johnson III and FMR Corp. through its control of Fidelity Management Trust Company each has sole dispositive power over and power to vote 198,100 shares. Fidelity International Limited is the beneficial owner of 17,000 shares.

<sup>(2)</sup> Based upon information obtained from Schedule 13G/Amendment No. 3, dated February 14, 2006, filed by Jeffrey L. Gendell, et al. with the Securities and Exchange Commission: Tontine Management, L.L.C. and Tontine Partners, L.P. have shared power to vote and dispose of 1,162,800 shares; Tontine Capital Partners, L.P. and Tontine Capital Management, L.L.C. have shared power to vote and dispose of 1,268,300 shares; Tontine Overseas Associates, L.L.C. has shared power to vote and dispose of 662,300 shares; and Jeffrey Gendell has shared power to vote and dispose of 3,093,400 shares.

**STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth certain information regarding the beneficial ownership of shares of the Common Stock as of March 1, 2006, by (i) each director and named executive officer and (ii) all current directors and executive officers as a group. The persons named in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to the table. As of March 1, 2006, none of the directors or named executive officers, nor the directors and officers as a group, owned more than 1% of the Common Stock outstanding.

	Shares owned directly	Beneficially owned <sup>(1)</sup>	Total Shares
<b><i>Directors:</i></b>			
Harry L. Demorest		6,541	6,541
William P. Kinnune	5,000	2,875	7,875
Carl W. Neun	2,000	6,541	7,541
David L. Parkinson	13,166	3,375	16,541
Stephen P. Reynolds	100	6,541	6,641
Frank M. Walker	2,000	5,291	7,291
Brett Wilcox		2,875	2,875
<b><i>Named Executive Officers:</i></b>			
James E. Declusin <sup>(2)</sup>		23,333	23,333
L. Ray Adams	8,600	11,667	20,267
Jennifer R. Murray		5,000	5,000
Jeff S. Stewart		5,000	5,000
Robert A. Simon	100	9,333	9,433
<b><i>All Directors and Officers as a group (16 persons)</i></b>	30,966	110,039	141,005

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<sup>(1)</sup> Beneficially owned that may be acquired within 60 days of March 1, 2006, pursuant to stock options and restricted shares that vest.

<sup>(2)</sup> Mr. Declusin is also member of the Board of Directors.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Based on the Corporation's review of Forms 3, 4, and 5 furnished to the Corporation pursuant to Section 16 of the Securities Exchange Act of 1934, as amended ( Exchange Act ), all such forms were filed on a timely basis.

**STOCK PRICE PERFORMANCE**

The chart below compares the five-year cumulative total stockholder return of the Corporation's Common Stock, based on the market price of Common Stock and assuming reinvestment of dividends, with the cumulative total return of companies on the Russell 2000 Index, and the Standard & Poor's Steel Index.

**FIVE-YEAR CULULATIVE TOTAL RETURN  
OREGON STEEL MILLS, INC. COMPARED WITH  
THE RUSSELL 2000 INDEX AND THE S&P STEEL INDEX**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Oregon Steel Mills, Inc.	\$ 100	\$ 366	\$ 278	\$ 447	\$ 1,810	\$ 2,669
Russell 2000 Index	100	3	- 18	20	42	49
S&P Steel Index	100	11	- 16	33	114	165

This comparison assumes \$100 was invested on December 31, 2000, in: Oregon Steel Mills, Inc. common stock; the Russell 2000 Index; and the S&P Steel Index. The graph then depicts, in each case, the stock price growth and dividends paid (assuming dividends were reinvested) over five years.

The Oregon Steel Mills, Inc. Board of Directors recognizes that many factors influence the market price of stock, one of which is company performance. The returns shown on the graph do not necessarily predict future performance.

## EXECUTIVE COMPENSATION

## SUMMARY COMPENSATION TABLE

The following table sets forth the compensation paid to or accrued by the Corporation and its subsidiaries for the Chief Executive Officer and each of the four most highly paid named executive officers of the Corporation and its subsidiaries as of December 31, 2005.

Name and Principal Position	Year	Annual Compensation <sup>(1)</sup>			Long-Term Compensation <sup>(6)</sup>		All Other Compensation
		Salary	Bonus (2)	All Other Annual Compensation (5)	Shares Underlying Stock Options(#)	Restricted Shares (3)	Thrift Plan Contribution (4)
<b>James E. Declusin</b> President and Chief Executive Officer	2005	\$ 557,500	\$ 706,796	\$ 67,627	(6)		\$ 6,300
	2004	\$ 500,000	\$ 700,000	\$ 143,014	70,000	\$ 310,000	\$ 6,150
	2003	\$ 187,000		\$ 174,600		\$ 57,000	\$ 1,250
<b>L. Ray Adams</b> Vice President Finance, Chief Financial Officer	2005	\$ 280,000	\$ 252,427		(6)		\$ 6,300
	2004	\$ 280,000	\$ 280,000		35,000		\$ 6,150
	2003	\$ 280,000					\$ 3,000
<b>Robert A. Simon</b> Vice President and General Manager, RMSM Division	2005	\$ 241,084	\$ 168,720		(6)		\$ 6,300
	2004	\$ 220,000	\$ 176,000		28,000		\$ 1,375
	2003	\$ 220,000					\$
<b>Jennifer R. Murray</b> Vice President Administration and Corporate Secretary	2005	\$ 180,813	\$ 130,901		(6)		\$ 6,300
	2004	\$ 155,833	\$ 124,650		15,000		\$ 4,675
	2003	\$ 145,000					\$ 2,175
<b>Jeff S. Stewart</b> Treasurer	2005	\$ 150,000	\$ 107,092		(6)		\$ 6,300
	2004	\$ 150,000	\$ 124,650		15,000		\$ 4,675
	2003	\$ 150,000					\$ 2,175

<sup>(1)</sup> Pension benefits accrued in 2003-2005 are not included in this Summary Compensation Table.

<sup>(2)</sup> Year 2005 amounts are bonuses earned under the 2005 Annual Incentive Plan. Year 2004 amounts include amounts earned under the 2004 Annual Incentive Plan plus one-time additional bonus for extraordinary performance approved by the Board, and paid in 2005. No bonuses were earned under the 2003 Annual Incentive Plan.

<sup>(3)</sup> 40,000 restricted shares granted August 1, 2003, as an inducement to accept the position of President and Chief Executive Officer. The 2003 amount reported is the value at the closing market price of \$2.85 on August 1, 2003, of the 20,000 shares that vested immediately upon grant. The remaining 20,000 shares vested August 1, 2004, and are valued at the closing market price of \$15.50.

<sup>(4)</sup> Matching contributions made by the Corporation on behalf of the named executive to the Corporation's Thrift Plan.

<sup>(5)</sup> Other 2005 compensation for Mr. Declusin was \$24,000 automobile allowance, \$43,627 for memberships, dues and assessments. Other 2004 compensation reported for Mr. Declusin was \$24,000 automobile allowance, 69,627 for memberships, dues and assessments, and \$49,029 for relocation expenses. Other 2003 compensation reported for Mr. Declusin was \$125,000 for relocation expenses, \$7,000 automobile allowance, \$30,600 directors' fees for service as an outside director and \$12,000 consulting fees for sales and marketing consulting before his August 1, 2003, appointment as President and CEO.

<sup>(6)</sup> Long-Term Compensation: No stock options were granted to Executive Officers or any other employees during 2005. Target Share Award Grants under the 2005 Long-Term Incentive Plan ( 2005 LTIP ) and 2005 Long-Term Incentive Program for Executive Officers and Key Employees for the 2005-2007 Performance Period are reported in the Long-Term Incentive Awards in 2005 section. Target Share Award Grants are not reported in this table because no award was earned or vested during 2005. Any such awards earned will be determined at the end of the 2005-2007 Performance Period and paid out in 2008.

**LONG-TERM INCENTIVE PLAN AWARDS IN 2005**

The following table presents information regarding performance share grants made to the named Executive Officers under the 2005 Long-Term Incentive Plan and 2005 Long-Term Incentive Program for Executive Officers and Key Employees in 2005:

**Estimated Future Share Payouts**