OREGON STEEL MILLS INC
Form DEF 14A
March 30, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

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Check the appropriate box:

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OREGON STEEL MILLS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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OREGON STEEL MILLS, INC.

Notice of Annual Meeting of Stockholders

TO THE STOCKHOLDERS:

You are invited to attend the Annual Meeting of Stockholders of Oregon Steel Mills, Inc. (the Corporation) to be held in the Broadway Room of the Heathman Hotel, 1001 S.W. Broadway, Portland, Oregon, on April 28, 2005, at 8:00 a.m. Pacific Time.

The meeting is being held for the following purposes:

1. To elect three Class B directors;
2. To approve the Oregon Steel Mills, Inc. 2005 Long-Term Incentive Plan; and
3.

To consider and transact such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on March 7, 2005, are entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof. A list of stockholders entitled to vote at the meeting is available for inspection at the offices of the Corporation.

By Order of the Board of Directors,

Jennifer R. Murray
Vice President Administration and Corporate Secretary

March 30, 2005
Portland, Oregon

YOU ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE.

**SIGN AND PROMPTLY MAIL THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED,
OR
IF YOUR SHARES ARE REGISTERED DIRECTLY IN YOUR NAME,
YOU MAY VOTE ON THE INTERNET OR BY TELEPHONE (SEE PROXY CARD).**

YOUR PROMPT RESPONSE COULD SAVE THE CORPORATION THE EXPENSE OF A FOLLOW- UP MAILING.

OREGON STEEL MILLS, INC.

1000 S.W. Broadway, Suite 2200, Portland, Oregon 97205

PROXY STATEMENT

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

This proxy statement and proxy card were first mailed on or about March 30, 2005, in connection with the solicitation of proxies by the Board of Directors (the Board) of Oregon Steel Mills, Inc. (the Corporation) to be voted at the Annual Meeting of Stockholders to be held in the Broadway Room of the Heathman Hotel, 1001 S.W. Broadway, Portland, Oregon, on Thursday, April 28, 2005, at 8:00 a.m. Pacific Time, and any adjournments thereof.

Only stockholders of record at the close of business on March 7, 2005, are entitled to notice of, and to vote at, the meeting. At the close of business on that date, the Corporation had 35,428,588 shares of Common Stock, $0.01 par value per share (Common Stock), outstanding. Holders of Common Stock are entitled to one vote for each share of Common Stock held. There are no cumulative voting rights.

Most stockholders have a choice of voting by completing a proxy card and mailing it in the postage-paid envelope provided, by using a toll-free telephone number or by voting over the Internet. Please be aware that if the stockholder votes over the Internet, the stockholder may incur costs such as telephone and Internet access charges for which the stockholder will be responsible. The telephone and Internet voting facilities for stockholders of record of all shares will close at 11:59 p.m. Eastern Standard Time on April 27, 2005. The Internet and telephone voting procedures are designed to authenticate stockholders by use of a control number and to allow the stockholder to confirm that instructions have been properly recorded. If the stockholder holds shares in street name through a bank or broker, the bank or broker will send the stockholder a voting instruction card describing the procedures and options for voting the shares.

A properly completed proxy will be voted at the meeting in accordance with the instructions specified in the proxy. If no instructions are specified, the shares will be voted FOR Proposal 1, and FOR Proposal 2, in the accompanying Notice of Annual Meeting of Stockholders, 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 (401(k) Plan) will be voted by the Trustees 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 Trustee will vote or take other action as the Trustee deems appropriate. Any person giving a proxy has the power to revoke it at any time before its exercise. A stockholder may revoke a proxy 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.

For each share of Common Stock held in street name by a bank or brokerage firm, the bank or brokerage firm will send a voting instruction card describing the procedure for voting. Stockholders should follow the instructions provided by the bank or brokerage firm.

Each share of Common Stock outstanding on the record date is entitled to one vote per share at the Annual Meeting of Stockholders. Shares of Common Stock represented in person or by proxy at the Annual Meeting (including abstentions and broker non-votes) will be tabulated by the inspector of election appointed for the meeting and will be counted in determining that a quorum is present. No business can be conducted at the Annual Meeting of Stockholders unless a majority of all outstanding shares entitled to vote are either present in person or represented by proxy at the meeting.

The proxy permits the stockholders to direct the proxy holders to: (a) vote for or withhold votes for a particular nominee for director; and (ii) vote for, against or abstain from the approval of the Oregon Steel Mills, Inc. 2005 Long-Term Incentive Plan.

For Proposal 1 [Election of Directors], (i) the nominees receiving a plurality of the votes cast at the Annual Meeting (those receiving the highest number of votes) are elected as directors; (ii) withheld votes are treated as votes cast against the nominee, but do not affect whether a nominee has received sufficient votes to be elected; and (iii) a broker non-vote will not be treated as a vote cast. Please note that New York Stock Exchange rules permit banks and brokers who do not receive instructions to vote on the election of directors.

For Proposal 2 [Approval of Plan] the votes on the Proposal must be sufficient to meet the approval requirements under the Corporation s bylaws and Delaware law and the rules of the New York Stock Exchange as follows: (a) under the Corporation s bylaws and Delaware law, (i) the affirmative vote of the majority of the outstanding shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to approve the Proposal; (ii) abstentions will have the same effect as votes cast against Proposal 2 as abstentions are considered shares entitled to vote; and (iii) broker non-votes will have no effect in determining whether Proposal 2 was approved, as broker non-votes are not considered shares entitled to vote; and (b) under the New York Stock Exchange rules, (i) the affirmative vote of a majority of votes cast on Proposal 2, provided that the total votes cast on the Proposal represents more than 50% in interest of all shares entitled to vote thereon; (ii) abstentions are counted as votes cast and treated as votes against the Proposal; and (iii) broker non-votes do not count as votes cast, and are not treated as votes for or against the Proposal; such broker non-votes will not affect the outcome of the vote except to the extent such broker non-votes result in a failure to obtain total votes cast on the Proposal representing more than 50% in interest of all shares entitled to vote thereon. Please note that banks and brokers CANNOT vote on their clients behalf on non-routine (non-discretionary) proposals, such as adoption of the Plan included in this year s proxy statement.

Solicitation material will be furnished to brokerage houses, fiduciaries, and custodians holding shares in their names that are beneficially owned by others to forward to such beneficial owners. In addition to the solicitation of proxies by mail, solicitation may be made by certain directors, officers or employees of the Corporation or its affiliates telephonically, electronically or by other means of communication and by Georgeson Shareholder Communications Inc. (Georgeson), whom the Corporation has hired to assist in the solicitation and distribution of proxies. Directors, officers and employees will receive no additional compensation for such solicitation, and Georgeson will receive a fee of $8,000 for its services. The Corporation will reimburse brokers and other nominees for costs incurred by them in mailing proxy materials to beneficial owners in accordance with applicable rules.

INFORMATION ABOUT THE BOARD AND CORPORATE GOVERNANCE

NOMINATION AND ELECTION OF CLASS B DIRECTORS
(Proposal 1 on the Proxy Card)

The Corporation has a classified Board consisting of three Class A directors, Messrs. Kinnune, Parkinson, and Wilcox; three Class B directors, Messrs. Demorest, Reynolds, and Swindells; and three Class C directors, Messrs. Declusin, Neun, and Walker. Class A and C directors serve until the Annual Meetings of Stockholders to be held in 2007 and 2006, 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 B directors are Harry L. Demorest, Stephen P. Reynolds, and William Swindells. They are each members of the present Board. Each nominee is a director standing for re-election. Each of the nominees 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 B directors to be elected at the 2005 Annual Meeting will serve until the Annual Meeting of Stockholders in 2008 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 B 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 designated.

The following table sets forth information with respect to the persons nominated for election as Class B directors and each other director, including their names and ages as of March 1, 2005, business experience during the past five years, and directorships in other publicly traded corporations.

	Principal Occupation and Certain Other Directorships	Age	Director Since
CLASS B (Nominees whose term of office will expire in 2008):			
Harry L. Demorest	Mr. Demorest is President and Chief Executive Officer and a director of Columbia Forest Products, Inc., Portland, Oregon, a position he has held since March 1996.	63	2001
Stephen P. Reynolds	Mr. Reynolds is President and Chief Executive Officer and a director 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. Mr. Reynolds also serves on the Board of Directors of Unova Corporation.	57	1999
William Swindells	Mr. Swindells is the Chairman of the Board of Directors and is the former Chairman of the Board of Directors of Willamette Industries, Inc., a diversified wood products company. While at Willamette Industries, Inc., he held the position of Chairman of the Board from 1985 to February 2002 and also held the position of Chief Executive Officer from 1985 until September 1995 and again from November 1997 until December 1998.	74	1994
CLASS A (directors whose term of office will expire in 2007):			
William P. Kinnune	Mr. Kinnune 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. He is a director on the board of AGE Industries, Inc.	65	2004
David L. Parkinson	Mr. Parkinson is Chairman and Chief Financial Officer of the Arizona Railway Group, a short line railroad holding company. He was Chairman and Chief Executive Officer of ParkSierra Rail Group from 1991 to 2002.	66	2001

Brett Wilcox	Mr. Wilcox is founder and 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. When the Chapter 11 plan becomes effective, Mr. Wilcox will no longer be Chief Executive Officer, but rather act as a consultant. Mr. Wilcox is also the sole owner of Northwest Development Energy, LLC, an Oregon limited liability company.	51	2004

	Principal Occupation and Certain Other Directorships	Age	Director Since
CLASS C (directors whose term of office will expire in 2006):			
James E. Declusin	Mr. Declusin is the President and Chief Executive Officer of the Corporation serving since August 2003. 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.	62	2000
Carl W. Neun	Mr. Neun was Senior Vice President and Chief Financial Officer for Tektronix, Inc., an electronics manufacturing company, from 1993 until his retirement in 2000. Mr. Neun also serves on the boards of RadiSys Corporation, Planar Systems, and Powerwave Technologies.	61	2002
Frank M. Walker	Mr. Walker is President, Chief Executive Officer and a director of Feralloy Corporation, a steel processing and distribution corporation. He has held these positions since 1993. He also serves on the board of Delta Steel, Inc.	59	2002

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 during 2004 were Messrs. Declusin, Demorest, and Swindells. Mr. Swindells, as 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.

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. Until April 29, 2004, the members of the Audit Committee were Messrs. Demorest, Neun, Parkinson, and John A. Sproul, a former director of the Company. The members of the Audit Committee from April 29, 2004 were Messrs. Demorest, Neun, Parkinson, and Wilcox.

Nominating/Corporate Governance and Compensation Committee

In 2002, the functions of the Nominating Committee and Compensation Committee were combined into the Nominating/Corporate Governance and Compensation (Nominating/Compensation) Committee. Until April 29, 2004, the members of the Nominating/Compensation Committee were Messrs. Reynolds, Swindells, and Walker. The members of the Nominating/Compensation Committee from April 29, 2004 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. In 2004, the Corporation adopted a Nominating/Compensation Committee charter, as may be amended from time to time, available on the Corporation s website at 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. In 2004 and as amended in 2005, the Corporation adopted Corporate Governance Guidelines that 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 with 120 days before the anniversary of the prior year s release of the proxy statement.

In order to be considered for the 2006 Annual Meeting of Stockholders, such suggestions should be received by no later than November 30, 2005.

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 2004, the Board held 7 meetings, the Audit Committee held 6 meetings, and the Nominating/Compensation Committee held 4 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. Swindells 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. Submissions for non-management directors will be reviewed by the presiding director of the non-management directors, Mr. Swindells 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, 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 2004, all directors except Mr. Sproul 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 2004, Feralloy s pro rata share of payments for plate processing transactions amounted to approximately $2.2 million. Mr. Walker is the President and Chief Executive Officer of Feralloy.

INDEPENDENCE OF DIRECTORS

In January 2005, 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, William Swindells, 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 2002, 2003, and 2004; 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 2004, directors who were not full-time employees of the Corporation received an annual fee of $21,000, plus $1,200 for each Board and committee meeting attended and reimbursement of expenses. 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.

On April 29, 2004, each of Messrs. Kinnune and Wilcox received grants of options to purchase 3,500 shares and each of the other non-employee directors received annual grants of options to purchase 1,500 shares under the Non-Employee Directors Stock Option Plan (the Directors Stock Option Plan) established by the Board effective April 26, 2002. The Directors Stock Option Plan provided for outside directors to receive initial grants of options to purchase 4,000 shares of common stock on the effective date and annual grants of options to purchase 1,500 shares of the common stock on the day of the annual meeting, at an exercise price equal to the closing price on the grant date, and vesting over three years. New directors receive an initial grant of options to purchase 2,000 shares on the day after their appointment.

The Board terminated the Oregon Steel Mills, Inc. Directors Retirement Plan (the Retirement Plan) as of December 31, 2001. Under the Retirement Plan, in effect since January 1, 1998, retiring directors who had completed five years of service as an outside director were paid $20,000 annually until the number of payments equals the number of full years of service as an outside director. The payment terms were convertible to a lump-sum present value payment if so elected by the retiring director and approved by the Compensation Committee. In terminating the Retirement Plan, terms of payment of vested benefits were arranged for the two outside directors with more than five years of service on the Board. In January 2002, Mr. John A. Sproul, an outside director since 1989, began receiving six annual payments of $34,505, and Mr. William Swindells, an outside director since 1994, began receiving six annual payments of $22,752.

During 2004 the Nominating/Compensation Committee retained an independent consulting firm to review and benchmark director compensation with that of directors of other publicly traded manufacturing and steel companies. The consultant s report to the committee concluded that the Corporation should consider certain changes to bring its compensation program for directors in line with the market median. On March 1, 2005, based on the independent consultant s report, the Nominating/Compensation Committee recommended and the Board approved the following changes to directors cash compensation:

- Increase in annual retainer from $21,000 to $25,000
- Implement additional annual retainer of $4,000 for each outside Committee Chair and $6,000 for Lead Outside Director
- Maintain meeting fees at $1,200

On March 1, 2005, based on the independent consultant s report, the Nominating/Compensation Committee also recommended and the Board approved the following changes to directors equity compensation, subject to stockholders approval of the proposed 2005 Long-Term Incentive Plan, further described under Proposal 2:

- Discontinue granting options under the existing director stock option plan and adopt and implement the 2005 Long-Term Incentive Plan with the following features:
  - Instead of the Initial and Annual Grants of Stock Options, award Restricted Stock with the same vesting schedule
  - Initial grants for new Directors would be the number of shares equal to $30,000 on the date of appointment
  - Annual grants for each Director would be the number of shares equal to $25,000 on the date of the Annual Stockholders Meeting.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of shares of the Common Stock as of March 1, 2005, 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
Jeffrey L. Gendell, et al. [1] 55 Railroad Avenue, 3rd Floor, Greenwich, CT 06830	3,014,100 [1]	8.53%
First Pacific Advisors, Inc. [2] 11400 West Olympic Boulevard, Suite 1200, Los Angeles, CA 90064	2,011,700 [2]	5.7%

[1] Based upon information obtained from Schedule 13G/Amendment No. 2, dated February 10, 2005, filed by Jeffrey L. Gendell, et al. with the Securities and Exchange Commission: Tontine Capital 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 1,012,700 shares; Tontine Overseas Associates, L.L.C has shared power to vote and dispose of 838,600 shares; and Jeffrey Gendell has shared power to vote and dispose of 3,014,100 shares.

[2] Based upon information obtained from Schedule 13G Amendment No. 9 dated February 11, 2005, filed by First Pacific Advisors, Inc. with the Securities and Exchange Commission: First Pacific Advisors, Inc. has the shared power to dispose of 2,011,700 shares and the shared power to vote 620,000 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, 2005, 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.

	Shares owned directly	Beneficially owned [1] pursuant to stock options	Total Shares	Percent of Class

Directors:				
Harry L. Demorest	26,000	5,000	31,000	*
William P. Kinnune	5,000	1,167	6,167	*
Carl W. Neun	2,000	5,000	7,000	*
David L. Parkinson	13,166	1,834	15,000	*
Stephen P. Reynolds	100	5,000	5,100	*
William Swindells	36,000	5,000	41,000	*
Frank M. Walker	2,000	3,750	5,750	*
Brett Wilcox		1,167	1,167	*
Named Executive Officers:				
James E. Declusin [2]	40,000	27,833	67,833	*
L. Ray Adams	10,600	75,067	85,667	*
Steven M. Rowan [3]				*
Jennifer R. Murray		27,100	27,100	*
Robert A. Simon	100	35,333	35,433	*
Directors and Executive Officers as a group (17 persons)	134,966	282,451	417,417	1.2%

* Less than 1% of the outstanding Common Stock.

[1] Beneficially owned that may be acquired within 60 days of March 1, 2005, pursuant to stock options.

[2] Mr. Declusin is also member of the Board of Directors.

[3] Mr. Rowan retired December 31, 2004.

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.

PERFORMANCE GRAPH

Set forth below is a line graph comparing 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.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
AMONG OREGON STEEL MILLS, THE RUSSELL 2000 INDEX,
AND THE S & P STEEL INDEX

*$100 invested on 12/31/99 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

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, 2004.

	Annual Compensation[1]				Long-Term Compensation		All Other Compensation
Name and Principal Position	Year	Salary	Bonus [2]	All Other Annual Compensation [5]	Shares Underlying Stock Options(#)	Restricted Shares [3]	Thrift Plan Contribution [4]
James E. Declusin	2004	$500,000	$700,000	$ 73,029	70,000	$310,000	$ 6,150
President and	2003	$187,000		$ 174,600		$ 57,000	$ 1,250
Chief Executive Officer	2002						
L. Ray Adams	2004	$280,000	$280,000		35,000		$ 6,150
Vice President Finance,	2003	$280,000					$ 3,000
Chief Financial Officer							
and Treasurer	2002	$280,000	$ 80,000				$ 2,750
Steven M. Rowan	2004	$200,000	$120,000		5,000		$ 6,000
Vice President Materials	2003	$200,000					$ 1,617
and Transportation	2002	$200,000	$ 48,000				$ 2,750
Jennifer R. Murray	2004	$155,833	$124,650		15,000		$ 4,675
Vice President							
Administration	2003	$145,000					$ 2,175
and Corporate Secretary	2002	$145,000	$ 36,000				$ 2,055
Robert A. Simon	2004	$220,000	$176,000		28,000		$ 1,375
Vice President and							
General	2003	$220,000					
Manager, RMSM							
Division	2002	$220,000	$ 69,000				

(1) Pension benefits accrued in 2002-2004 are not included in this Summary Compensation Table.

(2) Year 2004 amounts include bonuses earned under the 2004 Annual Incentive Plan, plus one-time additional bonus for extraordinary performance approved by the Board, and paid in 2005. Year 2002 amounts were earned under the 2002 Annual Incentive Plan and paid in 2003.

(3) 40,000 restricted shares granted August 1, 2003 as an inducement to accept the position of President and Chief Executive Officer (CEO). 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.

(4) Matching contributions made by the Corporation on behalf of the named executive to the Corporation s Thrift Plan.

(5) Other 2004 compensation reported for Mr. Declusin was $24,000 automobile allowance 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.

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OPTION GRANTS DURING 2004

In April 2000, the stockholders approved the Corporation s 2000 Long-Term Incentive Nonqualified Stock Option Plan (2000 Plan). The 2000 Plan is administered by the Compensation Committee of the Board of Directors and provides for grants to officers and employees of options to acquire up to one million shares of the Common Stock, subject to the limitations set forth in the 2000 Plan. Pursuant to the 2000 Plan, the granting of options is at the discretion of the Board of Directors, and it has the authority to set the terms and conditions of the options granted. As of March 1, 2005, options to purchase 487,800 shares of the Common Stock were outstanding under the 2000 Plan.

The following table sets forth certain information regarding grants of options to purchase shares of Common Stock of the Corporation during 2004, as to each of the named executive officers:

Individual Grants

(a) Name	(b) Number of Securities Underlying Options Grant (#) (1)	(c) % of Total Options Granted to Employees in 2004	(d) Exercise or Base Price ($/Share)	(e) Expiration Date	(f) Grant Date Present Value $ (3)
James E. Declusin	70,000	23 %	$ 8.04	4-28-2014	$396,200
L. Ray Adams	35,000	12 %	$ 8.04	4-28-2014	$198,100
Steven M. Rowan (2)	5,000	2 %	$ 8.04	4-28-2014	$ 28,300
Jennifer R. Murray	15,000	5 %	$ 8.04	4-28-2014	$ 84,900
Robert A. Simon	28,000	9 %	$ 8.04	4-28-2014	$158,480

(1) The shares granted under these options, except for the options granted to Mr. Rowan, vest and become exercisable as long as the employee remains with the Corporation under the following schedule: one third on April 29, 2005; one third on April 29, 2006; and one third on April 29, 2007.

(2) The shares granted under the options awarded to Mr. Rowan vested on October 1, 2004. The vesting schedule for Mr. Rowan s options grant was determined based on his planned retirement on December 31, 2004.

(3) The determination of present value has been made utilizing the Black-Scholes method based on the following assumptions: the options are assumed to be exercised within seven years of their grant date; yield volatility of 71.5%; annual dividend yield of 0% and a risk free rate of return range of 4.1%.

AGGREGATED OPTION EXERCISES IN 2004 AND DECEMBER 31, 2004 OPTION VALUES

The following table sets forth certain information concerning each exercise of stock options during 2004 by each of the named executive officers and the December 31, 2004 value of unexercised options:

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at FY-End (#) Exercisable/ Unexercisable			Value of Unexercised In-the-Money Options at FY-End ($) [1] Exercisable/ Unexercisable		
James E. Declusin			3,166	/	72,334	$ 43,745	/	$892,855
L. Ray Adams			63,400	/	35,000	$1,064,636	/	$428,750
Steven M. Rowan	19,000	$233,833	18,400	/		$ 249,704	/	
Jennifer R. Murray								