

PROPOSAL
TO PERFORM
CONSTRUCTION SERVICES
FOR
THE WHEELING STEEL CORPORATION
EXPANSION & MODERNIZATION PROGRAM
SUBMITTED TO
WHEELING STEEL CORPORATION
WHEELING, WEST VIRGINIA

June 1966

KAISER
ENGINEERS • OAKLAND • CALIFORNIA

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KAISER ENGINEERS, INC.

KAISER CENTER • 300 LAKESIDE DRIVE, OAKLAND, CALIFORNIA 94604

June 29, 1966

Proposal P95-66

Wheeling Steel Corporation
Wheeling Steel Building
Wheeling, West Virginia

Attention: Mr. Earl V. Akerlow

Gentlemen:

In accordance with our recent discussions, Kaiser Engineers, Inc. ("Kaiser") is pleased to submit its proposal for performing construction services for Wheeling Steel Corporation's ("Wheeling") Expansion and Modernization Program. We have attached the following documents which are made a part of this proposal:

Section

- | | |
|-----|----------------------------------|
| I | Scope of Services |
| II | Compensation and Reimbursement |
| III | General Conditions |
| IV | Project Organization |
| V | Exhibit A |
| VI | Workmen's Compensation Insurance |

Our proposal is based on Exhibit A which outlines the principal features of the program. It is our understanding that: (a) you estimate the cost of your current program, as described in Exhibit A, to be in the order of \$100,000,000; (b) the engineering including general arrangements and detail design will be done by others; and (c) Wheeling will purchase all engineered items of machinery and equipment, but may request Kaiser to expedite their deliveries. We understand further that this work pertains to your plants at Steubenville South and Steubenville North and will extend over a two-year period into 1968. Additional modifications and expansions may be defined at a later date.

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**KAISER
ENGINEERS**

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We propose to provide construction services for your proposed facilities on a cost-plus-a-fixed-fee basis. The fixed fee will cover our general corporate expenses, salaries of corporate officers (except when assigned to the program for specific periods of time exceeding 30 consecutive days) and profit.

Since detailed engineering will be developed by facility, we propose that the fee be established in increments for each facility at each location, and that the fee for each facility will be based upon an agreed definitive estimate of cost; therefore, such estimate will be prepared by Kaiser based upon a definitive scope of work after a sufficient number of detail design drawings and specifications for each facility have been furnished to Kaiser and firm commitments have been placed by Wheeling for the major portion of the machinery and equipment therefor. The estimate of cost is to include the total cost to Wheeling of all machinery, equipment, materials, labor, construction, and all other items of cost in connection with the work, whether provided by Wheeling, Kaiser, or others, exclusive of engineering design, the cost of land, Wheeling's startup costs or Wheeling's organization and financing costs. Such estimate will include contingency and escalation allowances consistent with the information available at the time of preparation of the estimate.

For a program of this type and magnitude, and on the assumption that Wheeling will provide all of the financing required, our fixed fee will be determined as follows:

- 3.0 percent of the first \$25,000,000 of estimated cost, plus;
- 2.2 percent of the next \$25,000,000 of estimated cost, plus;
- 1.7 percent of the next \$25,000,000 of estimated cost, plus;
- 1.5 percent of the next \$25,000,000 of estimated cost, plus;
- 1.3 percent of the next \$25,000,000 of estimated cost, plus;
- 1.2 percent of the estimated costs in excess of \$125,000,000.

The fee percentages set forth above will be applied to the cumulative total of the estimates of cost for each facility, provided the work is accomplished continuously under a central management to be located at Wheeling or Steubenville.

We propose to perform such work under a mutually satisfactory contract to be on the basis set forth herein and otherwise generally in accordance

June 29, 1966

with the provisions of our existing contract with Wheeling covering construction management and related services in connection with your hot strip finishing mill facility at Mingo Junction, Ohio, and the spiral culvert facility at Beech Bottom, West Virginia. Section III of this proposal titled "General Conditions" outlines generally the content of principal terms and conditions to be included in such contract.

Section VI outlines a self-insured workmen's compensation program which Kaiser Engineers, Inc. uses in Ohio. We recommend this program for your consideration, as we believe it is less costly than if the coverage were procured from the Industrial Commission of Ohio.

We currently have pending our proposal P68-66 covering engineering and construction management services in connection with the rebuilding and modernization of your Blast Furnace No. 2 at Steubenville, Ohio. We understand you wish us to proceed with the Blast Furnace rebuild and will so notify us in a few days.

If we are awarded a contract for the construction services as set forth in this proposal, such resulting contract could be written to include the work for Blast Furnace No. 2 subject to our mutual agreement upon the fixed fee attributable to the engineering design effort required for that blast furnace.

This proposal supersedes our proposal Nos. P66-66 and P66A-66, dated May 20 and June 15, 1966, respectively, and is for your acceptance on or before August 1, 1966. We would be pleased to consider an extension of this date if you so request.

We look forward to our July 12 meeting to discuss your program and this proposal. We are greatly interested in being a part of this great undertaking and most anxious to be of service to you.

Very truly yours,

KAISER ENGINEERS, INC.

J. E. Hughes
Vice President

JEH:lc
Attach.

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PROPOSAL
TO PERFORM
CONSTRUCTION SERVICES
FOR
THE WHEELING STEEL CORPORATION
EXPANSION & MODERNIZATION PROGRAM

June 1966

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SECTION I
SCOPE OF SERVICES

The planned expansion and modernization of your various existing plants will require the assignment of experienced construction personnel who have a thorough knowledge of the limitations imposed by the demands of an operating steel plant. We will make available a construction organization with this experience.

We propose to staff this project with a competent construction manager who will be in full charge of the field office, its personnel and its functions. He will be charged with the responsibility of directing the following proposed services:

- Construction
- Estimating and Cost Control
- CPM Scheduling
- Craft Supervision
- Construction Engineering
- Construction Procurement and Warehousing
- Expediting (if required by Wheeling)
- Construction Accounting
- Industrial Relations

The major items of construction will be performed with our own forces except for the normally subcontracted items, such as electrical work, structural steel, siding, roofing, architectural specialties and the like. In specific instances, where it is deemed advantageous to Wheeling Steel Corporation, other work may be performed by subcontract.

SECTION II

COMPENSATION AND REIMBURSEMENT

A. Compensation

Kaiser proposes to perform the construction services for the expansion and modernization program of Wheeling's plants in Ohio and West Virginia on the basis of a cost-plus-a-fixed fee arrangement.

The fixed fee, which is described on page no. 2 of this proposal, will cover our general corporate expenses, salaries of corporate officers (except when assigned to the program for specific periods of time exceeding 30 consecutive days) and profit.

All necessary and reasonable costs and expenses incurred by Kaiser in connection with the program, not specifically included in said fee, shall be considered reimbursable costs. Such costs and expenses are generally as follows:

1. Home and Branch Office Costs

- a. All salary and wage costs of home and branch office personnel of Kaiser (including home and branch office personnel on the payrolls of Kaiser's parent or other affiliated corporations on loan to Kaiser for the performance of work hereunder), exclusive of corporate officers (except when assigned to the program for specific periods of time exceeding 30 consecutive days) and accounting personnel unless assigned full time to the work, for time expended in the performance of the work, including wages and salaries, payroll taxes, workmen's compensation and employer's liability insurance, group life, hospital and medical insurance and all sick leave, vacation and holiday allowances for such personnel.

The corporate officers referred to herein are the Chairman of the Board of Directors, President, Vice Presidents, Secretary and Treasurer.

- b. An amount equal to 75 percent of the total wage and salary costs under Item 1 above to cover home and branch office overhead

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costs, including rent, light, heat, water, furniture and equipment, office supplies, local telephone services, general accounting expense, retirement plans and general insurance.

- c. All costs incurred under or in connection with contracts, sub-contracts or purchase orders let or issued by Kaiser from home or branch offices.
- d. Travel, subsistence and other expenses of officers (excluding their salaries except when assigned to the program for specific periods of time exceeding 30 consecutive days) or employees directly chargeable to the project, including such expenses incurred by personnel while assigned to work away from their home base; long distance telephone calls and telegraph expenses, cost of reproduction at standard rates, and the cost of incidental purchased labor and services.
- e. Actual move-in and move-out costs of contractor's personnel relocated by reason of performance of work under this proposal, including traveling, transportation and moving expenses incurred in accordance with the policies and practices Kaiser uniformly applies throughout its organization.
- f. All other direct costs and expenses incurred in connection with the work, not specifically mentioned above.

2. Field Costs

- a. All salary and wage costs, including salaries and wages, payroll taxes, employee benefits and the like, of Kaiser's personnel assigned to the field in connection with performance of the work.
- b. All costs for transportation and subsistence for supervisory and other field personnel while in travel status and for a reasonable period thereafter until suitable housing is obtained for the employee and his family.
- c. All costs incurred under or in connection with contracts, sub-contracts or purchase orders let or issued by Kaiser from the field.
- d. All other costs and expenses incurred in connection with performance of the work in the field.

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B. Method of Reimbursement

The fixed fee for construction services described on page no. 2 of this proposal is based on the assumption that Wheeling will provide all required financing either through the establishment of a revolving fund or funds or other mutually acceptable arrangements.

C. Tentative Fee

Prior to the resolution of a definitive estimate of the cost of the work and the determination of a mutually agreeable fixed fee for each facility at each location, a tentative fee shall be paid to Kaiser in an amount equal to 10 percent of the costs applicable to such services which are reimbursable under Items a. and b. of Home and Branch Office Costs and Item a. of Field Costs as shown above until such time as the fixed fee for such services is established. Upon establishment of such fixed fee for each facility, monthly fee installments thereafter shall be paid on 90 percent of such fee as it accrues, based upon the percentage of completion of such services as determined by Wheeling from estimates submitted by Kaiser and approved by Wheeling, and appropriate adjustments made on account of overpayment or underpayment of the then accrued fixed fee by reason of tentative fee payments. Payment of the final 10 percent of the fixed fee for each facility will be due and payable 30 days after completion of the facility. The mutually agreed contract shall contain provisions generally consistent with this paragraph.

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SECTION III

GENERAL CONDITIONS

1. It is proposed that terms and conditions generally along the following lines will be included as a part of any contract resulting from this proposal:

A. Changes

Wheeling may at any time by written order or authorization issue instructions making changes in, additions to or deletions from the program. Kaiser shall take cognizance of such changes, additions and deletions in performance of its work hereunder. Should such instructions cumulatively result in material increases or decreases in the total estimated cost of the program, the fixed fee shall, from time to time, be equitably adjusted.

B. Termination

If at any time Wheeling determines not to proceed with the program, prompt notice shall be given to Kaiser to that effect. In the event of such termination, Wheeling shall pay to Kaiser (1) its cost and expenses reimbursable under Section II hereof on account of or in connection with the work, less payments previously paid by Wheeling on account thereof; (2) all reasonable costs and expenses incurred by Kaiser as a result of such termination, and (3) an equitable portion (to be established by mutual agreement) of the fixed fee described on page no. 2 of this proposal, less any part of said fixed fee previously paid.

C. Notices

Upon execution of an agreement for services hereunder, Wheeling shall designate and notify Kaiser of the person who shall be Wheeling's representative and as such authorized to receive communications on behalf of Wheeling. Also at such time Kaiser shall designate and notify Wheeling of the person who shall be Kaiser's representative authorized to receive communications on Kaiser's behalf.

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D. Books and Records

Kaiser's invoices shall be supported by such detailed information as Wheeling shall reasonably request, except supporting documents of communication charges and other items containing voluminous detail which will be available at the place or places where the same may be kept.

E. Indemnity

Kaiser agrees to defend, indemnify and hold harmless Wheeling against any and all liability for personal injuries (including death) or damage to property caused wholly or in part by Kaiser's negligent acts in connection with the work under this proposal.

Kaiser agrees to defend, indemnify and hold harmless Wheeling, its officers, employees, and each of them, against all liability for personal injuries (including death) of any of Kaiser's employees during his assignment or presence in the offices or at the plants or other property of Wheeling; provided that such injury (including death) did not result from gross negligence or willful misconduct on the part of Wheeling, its officers or employees.

F. Limitation of Liability

Notwithstanding anything to the contrary contained in this proposal, all losses, expenses, costs or damages of every kind not compensated to Kaiser by Kaiser's insurance or otherwise, actually incurred or sustained by Kaiser in connection with any contract resulting from this proposal or the work thereunder, including but not limited to Kaiser's obligations to Wheeling under the above indemnity, shall be reimbursed to Kaiser by Wheeling, except to the extent such losses, expenses, costs or damages are caused, incurred or sustained solely by reason of the failure on the part of Kaiser's corporate officers or a representative of Kaiser having supervision or direction of said work as a whole to exercise the standard of care normally exercised by duly qualified persons in the performance of comparable work. In no event, however, shall the aggregate of losses, expenses, costs and damages required to be borne by Kaiser under any contract resulting from this proposal exceed the amount of Kaiser's insurance recoveries under insurance required to be maintained by Kaiser pursuant to such contract (which recoveries shall be diligently pursued) plus the sum of \$250,000.

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G. Insurance

At all times during the progress of the work, Kaiser shall maintain Workman's Compensation and Employer's Liability insurance in accordance with the laws of the state or states in which the work, or any part thereof, may be performed (or may self-insure as provided in Section VI) and such other insurance as Kaiser deems necessary plus such additional insurance as Wheeling may reasonably require and which Kaiser is able to obtain; provided, however, that before Kaiser's employees enter upon Wheeling's premises to perform the work herein described, Kaiser shall deliver to Wheeling certificates of insurance in such form and with such insurance coverages as are satisfactory to Wheeling. The costs of all insurance so provided shall be reimbursable to Kaiser.

H. Independent Contractor

In performance of services hereunder, Kaiser shall act as independent contractor and not as an employee or agent of Wheeling, except as specifically authorized by Wheeling in awarding and administering purchase orders.

I. Assignment

Kaiser reserves the right to have all or any portion of the work described in this proposal performed and/or contracted for in the name of one or more of our affiliated engineering-construction corporations.

2. Nothing contained in this proposal or any agreement resulting therefrom or the furnishing of any plans, drawings, specifications or other data or information to you by us or the performance of other work for you or any payments therefor which we may receive, shall constitute a grant by us or any of our affiliated companies or others of a license, expressed or implied, under any patent, patent application or invention (collectively called "patent rights") of ours or any of our affiliated companies or others, or under which we or any of our affiliated companies or others have the right to grant licenses. Any contract resulting from this proposal shall include a provision similar to the foregoing.

SECTION IV

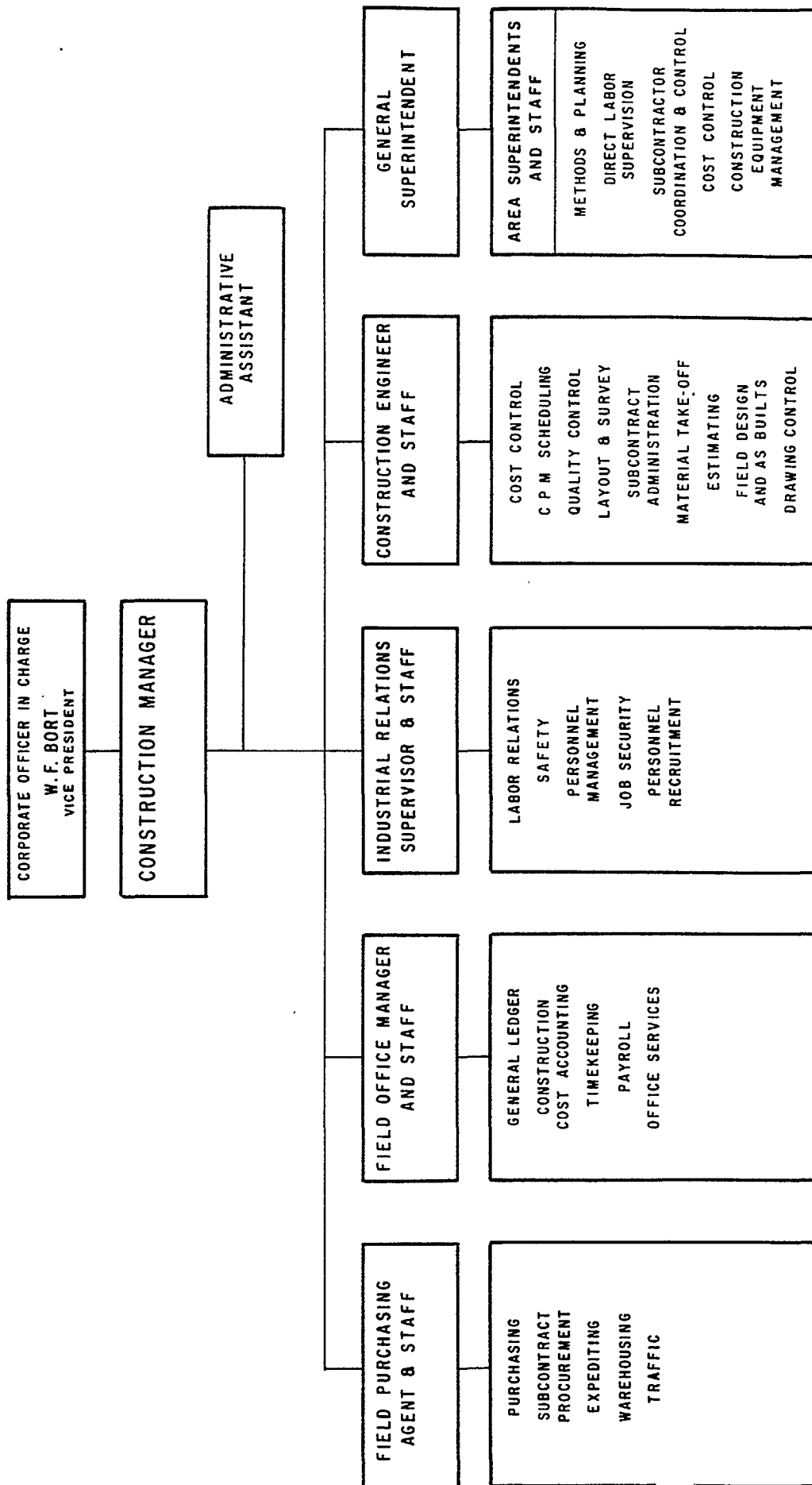
PROJECT ORGANIZATION

The attached chart delineates the construction organization we propose to establish for the performance of the work. This organization will be situated at the job site in a location convenient to the various plant areas.

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CONSTRUCTION ORGANIZATION

WHEELING STEEL CORPORATION EXPANSION AND MODERNIZATION PROGRAM



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SECTION V

EXHIBIT A

1. The principal objectives of the first stage of the Expansion and Modification Program are as follows:

A. Slabs

Location - Mingo Plant, South Steubenville

1. Installation of a new 45 in. by 90 in. primary slab mill complete with drives, soaking pits and supporting facilities. This new mill will be initially installed without the vertical roll stand and will be supported by an existing blooming mill. Initially there will be four rows of four soaking pits each.

B. Steel Ingots

Location - Mingo Plant, South Steubenville

1. A 200 ft extension of the present teeming platforms and modifications to accommodate larger size ingots.
2. The installation of two additional Teeming Capping Cranes.
3. Addition of approximately 50 Ingot Mold Cars.
4. Addition of Ingot Molds and Stools.
5. A 75 ft extension to the mold spray building.
6. Modification of eight 250 ton steel ladles to accommodate 300 ton heats.
7. Increasing the Scrap Handling Box capacities to 1500 cu ft each.
8. Upgrading of the Water Cooling System.
9. The addition of seven 200 ton Pugh Ladles.
10. The addition of 500 cu ft capacity slag pots: two at the B. O. F. and one at the Blast Furnace.

11. The relocation of the 1500 ton capacity Hot Metal Mixer.
12. Improvement of the B. O. F. fume cleaning system to process 30,000 cu ft per minute, and the addition of a dust collector and filtering system at the iron transfer area.
13. Additions to the Raw Material Handling Conveyor System.
14. The installation of a 138 kv Power Loop in order to provide protection of the plant facilities in case of a breakdown with the connection with the North Plant.
15. Installation of an Ingot Stripping Facility.

C. Basic Blast Furnace Iron

1. Modernize Hot Blast Stoves to increase the blowing temperature from 1400 degrees to 1600 degrees at all blast furnaces. (Three Blast Furnaces at the Mingo Plant and two blast furnaces at Steubenville North.)
2. Installation of Turbo Blowers at the three blast furnaces at the Mingo Plant.
3. Modernization of the Sinter Plant including the addition of sinter feed equipment, sinter cooling and improved firing.
4. Improvement of the material handling facilities including the installation of coke, pellet and ore screening systems.

D. Cold Reduced Strip

1. Installation of a five stand, 74 in. cold mill at Steubenville North.
2. Installation of roll grinding facilities.
3. Building changes and equipment relocations necessary to eliminate current backtracking of material through processing.
4. Installation of four Annealing Furnaces, eleven Bases.
5. Installation of a 78 in. Pickler and Hot Roll Coil Storage Area.

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E. Plant Wide Supporting Facilities

1. Provision of additional shipping space (150,000 sq ft).
 2. Installation of a power distribution system for the new cold mill.
 3. Modernizations and additions to present water distribution system.
 4. Modernizations and additions to present gas distribution system.
 5. Modernizations and additions to present maintenance facilities.
2. Future Expansion and Modification Program is generally as follows:
1. Installation of a vertical roll stand and appurtenant electrics to complete the slabbing mill. This installation would also include additional pit facilities.
 2. Raw material handling, carryalls and loaders and belt systems to the B. F. at South. Phase out stockpile at Steubenville South blast furnace plant.
 3. Upgrade to improve coal and coke, including coke handling and screening.
 4. Select, purchase and install 400 to 500 NT/day oxygen plant (used).
 5. Install pipe handling at Benwood, Allied contract.
 6. Install slitting at Steubenville South for skelp heavier than 1/4 in. thick.
 7. Install skelp storage at Benwood.
 8. Modify 80 in. hot strip mill, including adding finishing and roughing stands and additional drive motors on the finishing stands. This assumes 66 in. mill producing strip below 40 in. wide.
 9. Install four slab reheat furnaces, 80 in. mill.
 10. Install raw material bedding system, and lime processing units.

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11. Install annealing at Steubenville North.
12. Install one new blast furnace at Steubenville South. Phase out two furnaces at Steubenville North.
13. Install 160 in. four high plate mill and slab reheating at Steubenville North.

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SECTION VI

WORKMEN'S COMPENSATION INSURANCE

Kaiser Engineers, Inc. has established a self-insured workmen's compensation program covering its activities in the State of Ohio. Since the State of Ohio requires a self-insurer of workmen's compensation to be consistent and include all activities conducted within Ohio under such a program, we propose to extend such program to cover the services proposed herein.

Based upon our experience to date, we believe that by applying Kaiser's self-insurance of workmen's compensation to this project the results will be considerably less costly than the purchase of insurance from the Industrial Commission of Ohio. The maximum savings in cost can be realized through the institution and maintenance of a strong safety program, together with prompt medical attention and follow up on all accidents, which we propose to implement in coordination with similar existing programs of Wheeling.

Extension of Kaiser's self-insurance program for workmen's compensation would require Wheeling to:

1. Reimburse Kaiser for all costs of medical care and disability benefits incurred in performance of the work for Wheeling.
2. Reimburse Kaiser for all costs of administering the self-insurance program as it relates to the Expansion and Modernization Program, including personnel to administer the program, fees and assessments payable to the Industrial Commission of Ohio, premium for reinsurance and for required bonds, fees for adjusting and legal services, and all other necessary and reasonable costs attributable to the self-insurance program.
3. Guarantee in writing to the Industrial Commission of Ohio that upon completion of the Expansion and Modernization Program, Wheeling will assume all outstanding losses and will continue payments to claimants whose injuries arose out of employment by Kaiser in the performance of the work for Wheeling in Ohio.

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