

SCHNITZER STEEL INDUSTRIES INC
Form DEF 14A
December 27, 2005

SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
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Schnitzer Steel Industries, 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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SCHNITZER STEEL INDUSTRIES, INC.

December 27, 2005

Dear Shareholder:

You are invited to attend the Annual Meeting of Shareholders of your Company, which will be held on Monday, January 30, 2006 at 8 A.M., local time, at the Multnomah Athletic Club, 1849 SW Salmon Street, Portland, Oregon 97205.

The formal notice of the meeting and the proxy statement appear on the following pages and describe the matters to be acted upon. Time will be provided during the meeting for discussion and you will have an opportunity to ask questions about your Company.

Whether or not you plan to attend the meeting in person, it is important that your shares be represented and voted. After reading the enclosed notice of the meeting and proxy statement, please sign, date and return the enclosed proxy at your earliest convenience. Return of the signed and dated proxy card will not prevent you from voting in person at the meeting should you later decide to do so.

Sincerely,

John D. Carter
President and Chief Executive Officer

SCHNITZER STEEL INDUSTRIES, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD JANUARY 30, 2006

The Annual Meeting of Shareholders of Schnitzer Steel Industries, Inc. (the Company) will be held at the Multnomah Athletic Club, 1849 SW Salmon Street, Portland, Oregon 97205, on Monday, January 30, 2006 at 8 A.M., local time, for the following purposes:

- (1) To elect ten directors, each to serve until the next Annual Meeting of Shareholders and until a successor has been elected and qualified;
- (2) To approve proposed amendments to the 1993 Stock Incentive Plan; and
- (3) To transact such other business as may properly be brought before the meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on November 29, 2005 are entitled to notice of and to vote at the meeting or any adjournments thereof.

Please sign and date the enclosed proxy and return it promptly in the enclosed reply envelope. If you are able to attend the meeting, you may, if you wish, revoke the proxy and vote personally on all matters brought before the meeting.

By Order of the Board of Directors,

Richard C. Josephson
Secretary

Portland, Oregon
December 27, 2005

SCHNITZER STEEL INDUSTRIES, INC.

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Schnitzer Steel Industries, Inc., an Oregon corporation (the Company), to be voted at the Annual Meeting of Shareholders to be held at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting.

All proxies in the enclosed form that are properly executed and received by the Company prior to or at the Annual Meeting and not revoked will be voted at the Annual Meeting or any adjournments thereof in accordance with the instructions thereon. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (i) filing with the Secretary of the Company, at or before the taking of the vote at the Annual Meeting, a written notice of revocation bearing a later date than the proxy, (ii) duly executing a subsequent proxy relating to the same shares and delivering it to the Secretary of the Company before the Annual Meeting, or (iii) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute a revocation of a proxy). Any written notice revoking a proxy should be sent to Schnitzer Steel Industries, Inc., P.O. Box 10047, Portland, Oregon 97296-0047, Attention: Richard C. Josephson, Secretary, or hand-delivered to the Secretary at or before the taking of the vote at the Annual Meeting.

The mailing address of the principal executive offices of the Company is P.O. Box 10047, Portland, Oregon 97296-0047. This Proxy Statement and the accompanying Notice of Annual Meeting and Proxy Card are first being mailed to shareholders on or about December 27, 2005.

VOTING SECURITIES AND PRINCIPAL SHAREHOLDERS

The record date for determination of shareholders entitled to receive notice of and to vote at the Annual Meeting is November 29, 2005. At the close of business on November 29, 2005, 22,493,105 shares of Class A Common Stock (Class A), par value \$1.00 per share, and 7,985,366 shares of Class B Common Stock (Class B), par value \$1.00 per share, of the Company (collectively, the Common Stock) were outstanding and entitled to vote at the Annual Meeting. Each share of Class A Common Stock is entitled to one vote and each share of Class B Common Stock is entitled to ten votes with respect to each matter to be voted on at the Annual Meeting.

The following table sets forth certain information regarding the beneficial ownership of the Common Stock, as of August 31, 2005 (unless otherwise noted in the footnotes to the table), by (i) persons known to the Company to be the beneficial owner of more than 5% of either class of the Company's Common Stock, (ii) each of the Company's directors and nominees for director, (iii) each executive officer of the Company named in the Summary Compensation Table, and (iv) all directors and executive officers of the Company as a group. Unless otherwise noted in the footnotes to the table, the persons named in the table have sole voting and investment power with respect to all outstanding shares of Common Stock shown as beneficially owned by them. Except as noted below, the address of each shareholder in the table is Schnitzer Steel Industries, Inc., P.O. Box 10047, Portland, Oregon 97296-0047.

Name of Beneficial Owner or Number of Persons in Group	Class A Shares Beneficially Owned ⁽¹⁾		Class B Shares Beneficially Owned ⁽¹⁾	
	Number	Percent	Number	Percent
Schnitzer Steel Industries, Inc. Voting Trust (the Schnitzer Trust)			7,115,171	89.1%
Marilyn S. Easley ⁽²⁾			593,882	7.4%
Carol S. Lewis ⁽²⁾	13,500 ⁽⁴⁾	*	517,049	6.5%
Scott Lewis	117,045 ⁽⁵⁾	*		
MANUEL SCHNITZER FAMILY GROUP, Carol S. Lewis, Trustee ⁽³⁾			1,546,633	19.4%
Dori Schnitzer ⁽²⁾	9,000 ⁽⁶⁾	*	847,419	10.6%
Susan Schnitzer ⁽²⁾			663,057	8.3%
Jean S. Reynolds ⁽²⁾	14,800 ⁽⁵⁾	*	533,793	6.7%
MORRIS SCHNITZER FAMILY GROUP, Dori Schnitzer, Trustee ⁽³⁾			1,802,175	22.6%
Gilbert and Thelma S. Schnitzer ⁽²⁾			882,222	11.0%
Kenneth M. and Deborah S. Novack ⁽²⁾	900 ⁽⁷⁾	*	311,031	3.9%
Gary Schnitzer and Sandra Wilder ⁽²⁾	42,146 ⁽⁸⁾	*	1,920	*
GILBERT SCHNITZER FAMILY GROUP, Gary Schnitzer, Trustee ⁽³⁾			1,251,826	15.7%
Robert W. and Rita S. Philip ⁽²⁾	252,627 ⁽⁹⁾	1.1%	489,884	6.1%
Jill Schnitzer Edelson ⁽²⁾	300	*	358,159	4.5%
Mardi S. Schnitzer ⁽²⁾	1,800	*	441,173	5.5%
Dina S. Meier ⁽²⁾	4,275	*	413,692	5.2%
			2,514,537	31.5%

LEONARD SCHNITZER FAMILY
GROUP,

Rita S. Philip, Trustee⁽³⁾

Royce & Associates LLC ⁽¹⁴⁾	3,220,400 ⁽¹⁰⁾	14.3%		
Krevlin Advisors LLC ⁽¹⁵⁾	1,485,000 ⁽¹⁰⁾	6.6%		
Robert S. Ball	15,900 ⁽⁵⁾	*		
William A. Furman	12,259 ⁽⁵⁾	*		
Ralph R. Shaw	12,900 ⁽⁵⁾	*		
John D. Carter				
Barry A. Rosen	75,424 ⁽¹¹⁾	*		
Kurt C. Zetzsche	300	*		
Jay Robinovitz	11,525 ⁽¹²⁾	*		
Kelly E. Lang	16,525 ⁽¹³⁾	*		
All directors and executive officers as a group (12 persons) ⁽²⁾	244,300 ⁽¹⁶⁾	1.1%	1,204,903	15.1%

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* Less than 1%

(1) Includes, in all cases, shares held by either spouse, either directly or as trustee or custodian or through another family entity. For purposes of this table, Class A shares beneficially owned do not include Class A shares issuable upon conversion of Class B shares.

(2) Except as described below, Class B shares owned by these shareholders are subject to the Schnitzer Trust and represented by voting trust certificates beneficially owned by the shareholders. Class B shares beneficially owned that are not subject to the Schnitzer Trust are as follows:

Marilyn S. Easley	63,465
Carol S. Lewis	30,000
Dori Schnitzer	112,500
Susan Schnitzer	112,500
Jean S. Reynolds	75,000
Jill Schnitzer Edelson	45,000
Mardi S. Schnitzer	45,000
Dina S. Meier	45,000

(3) Class B shares shown in the table as owned by a family group represent the total number of shares subject to the Schnitzer Trust owned by members of the family group. The trustee for each family group has certain voting powers with respect to the family group's shares as described below under "Schnitzer Steel Industries, Inc. Voting Trust and Buy-Sell Agreement."

(4) Includes 9,000 shares subject to options exercisable prior to October 30, 2005.

(5) Includes 900 shares subject to options exercisable prior to October 30, 2005.

(6) Consists of 9,000 shares subject to options exercisable prior to October 30, 2005.

(7) Consists of 900 shares subject to options exercisable prior to October 30, 2005.

(8) Includes 38,246 shares subject to options exercisable prior to October 30, 2005.

(9) Includes 252,477 shares subject to options exercisable prior to October 30, 2005.

(10) Beneficial ownership as of November 21, 2005 as reported by the investment manager on Form 13F. Data was obtained from information published by the Nasdaq Stock Market, Inc.

(11) Includes 75,079 shares subject to options exercisable prior to October 30, 2005.

(12) Consists of 11,525 shares subject to options exercisable prior to October 30, 2005.

(13) Consists of 16,525 shares subject to options exercisable prior to October 30, 2005.

(14) Royce & Associates, LLC, 1414 Avenue of the Americas, 9th Floor, New York, NY 10019-2578

(15) Krevlin Advisors LLC, 598 Madison Avenue, 12th Floor, New York, NY 10022-1603

(16) Includes 71,696 shares subject to options exercisable prior to October 30, 2005.

Schnitzer Steel Industries, Inc. Voting Trust and Buy-Sell Agreement

Voting Trust Provisions. Pursuant to the terms of the Schnitzer Steel Industries, Inc. 2001 Restated Voting Trust and Buy-Sell Agreement dated March 26, 2001 (the Schnitzer Trust Agreement), the beneficial owners of over 80% of the outstanding shares of Class B Common Stock have made their shares subject to the terms of the Schnitzer Steel Industries, Inc. Voting Trust (the Schnitzer Trust). The Schnitzer Trust is divided into four separate groups, one for each branch of the Schnitzer family. Carol S. Lewis, Dori Schnitzer, Gary Schnitzer, and Rita S. Philip are the four trustees of the Schnitzer Trust and each is also the separate trustee for his or her separate family group. Pursuant to the Schnitzer Trust Agreement, the trustees as a group have the power to vote the shares subject to the Schnitzer Trust and, in determining how the trust shares will be voted, each trustee separately has the number of votes equal to the number of shares held in trust for his or her family group. Any action by the trustees requires the approval of the trustees with votes equal to at least 52.5% of the total number of shares subject to the Schnitzer Trust. Before voting with respect to the following actions, each trustee is required to obtain the approval of holders of a majority of the voting trust certificates held by his or her family group: (a) any merger or consolidation of the Company with any other corporation, (b) the sale of all or substantially all the Company's assets or any other sale of assets requiring approval of the Company's shareholders, (c) any reorganization of the Company requiring approval of the Company's

shareholders, (d) any partial liquidation or dissolution requiring approval of the Company's shareholders, and (e) dissolution of the Company. The Schnitzer Trust will terminate on March 26, 2011 unless terminated prior thereto by agreement of the holders of trust certificates representing two-thirds of the shares held in trust for each family group.

Provisions Restricting Transfer. The trustees are prohibited from selling or encumbering any shares held in the Schnitzer Trust. The Schnitzer Trust Agreement contains transfer restrictions binding on both holders of voting trust certificates and holders of shares of Class B Common Stock distributed from the Schnitzer Trust, unless such restrictions are waived by the trustees. The Schnitzer Trust Agreement prohibits shareholders who are subject thereto from selling or otherwise transferring their voting trust certificates or their shares of Class B Common Stock except to other persons in their family group or to entities controlled by such persons. Such transfers are also restricted by the Company's Restated Articles of Incorporation. A holder of voting trust certificates is permitted to sell or make a charitable gift of the shares of Class B Common Stock represented by his or her certificates by first directing the trustees to convert the shares into Class A Common Stock, which will then be distributed to the holder free from restrictions under the agreement. Similarly, a holder of Class B Common Stock subject to the transfer restrictions is permitted to sell or make a charitable gift of the holder's Class B Common Stock by first converting the shares into Class A Common Stock, which will then be free from restrictions under the agreement. However, before causing any shares to be converted for sale, a holder must offer the shares (or the voting trust certificates representing the shares) to the other voting trust certificate holders who may purchase the shares at the current market price for the Class A Common Stock or exchange shares of Class A Common Stock owned by them for the Class B Common Stock proposed to be converted.

ELECTION OF DIRECTORS

Ten directors are to be elected at the Annual Meeting, each to hold office until the next Annual Meeting and until his or her successor has been duly elected and qualified. Proxies received from shareholders, unless directed otherwise, will be voted FOR the election of the following nominees: Robert S. Ball, John D. Carter, Jill Schnitzer Edelson, William A. Furman, Judith A. Johansen, Mark L. Palmquist, Scott Lewis, Kenneth M. Novack, Jean S. Reynolds, and Ralph R. Shaw. If any nominee is unable to stand for election, the persons named in the proxy will vote the same for a substitute nominee. All of the nominees, other than Ms. Johansen and Mr. Palmquist, are currently directors of the Company. The Company is not aware that any nominee is or will be unable to stand for reelection. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Abstentions and broker non-votes will have no effect on the results of the vote.

Set forth below is the name, age, position with the Company, present principal occupation or employment and five-year employment history of each of the nominees for director of the Company.

<u>Name and Year First Became Director</u>	<u>Business Experience</u>	<u>Age</u>
Robert S. Ball 1993	Director of the Company since September 1993. From 1982 to 2005, he was a partner in the Portland, Oregon law firm of Ball Janik LLP. In July 2005, he became Senior Counsel to Ball Janik LLP.	64
John D. Carter 2005	President and Chief Executive Officer of the Company since May 2005. From 2002 to May 2005, Mr. Carter was engaged in a consulting practice focused primarily on strategic planning in transportation and energy for national and international businesses, as well as other small business ventures. From 1982 to 2002, Mr. Carter served in a variety of senior management capacities at Bechtel Group, Inc. including Executive Vice President and Director, as well as President of Bechtel Enterprises, Inc., a wholly owned subsidiary, and other operating groups. Prior to his Bechtel tenure, Mr. Carter was a partner in a San Francisco law firm. He is a director of Northwest Natural Gas Company, FLIR Systems, Inc., and Kuni Automotive in the U.S. In the	59

United Kingdom, he serves as a director of London & Continental Railways and, until December 2005, served as a director of Cross London Rail Links.

Jill Schnitzer Edelson 2005	Director of the Company since July 2005. Ms. Schnitzer Edelson was a business development manager for Sarcos, Inc. from 1990 to 1992 and a consultant with Booz, Allen & Hamilton from 1985 to 1987.	42
William A. Furman 1993	Director of the Company since September 1993. Mr. Furman serves as chairman of the Company's Nominating and Corporate Governance Committee. Since 1981, he has been President, Chief Executive Officer and a director of The Greenbrier Companies of Portland, Oregon, a publicly held company engaged in manufacturing, marketing and leasing of railcars and other equipment.	60
Judith A. Johansen	President and Chief Executive Officer of PacifiCorp, an electric utility, since December 2001. Ms. Johansen joined PacifiCorp in December 2000 as Executive Vice President of Regulation and External Affairs. She is a director of ScottishPower plc.	47
Scott Lewis 1998	Director of the Company since 1998. Mr. Lewis is currently a principal in and an environmental design consultant with Brightworks Northwest LLC. He was the former Chief Executive Officer of Help1.com, a business development executive with Conversational Computing Corporation, President of Sora Corporation, and an information technology consultant.	46
Kenneth M. Novack 1991	Director of the Company since 1991 and Chairman since May 2005. Mr. Novack has been Chief Executive Officer of Schnitzer Investment Corp. (SIC) since January 2002 and Chairman of the Board of SIC since 2004. He was President of SIC from 1991 until 2002. Mr. Novack is currently the Chairman of the Board for Liberty Shipping Group and was Chairman of the Board for Lasco Shipping Co. He was an Executive Vice President of the Company from 1991 until 2003.	59
Mark L. Palmquist	Executive Vice President and Chief Operating Officer, Grains and Foods, of CHS Inc., a large integrated agricultural company, since 2000. Mr. Palmquist joined CHS in 1979 and has held a series of management positions of increasing responsibility with CHS.	48
Jean S. Reynolds 1993	Director of the Company since September 1993. She was previously a marketing and efficiency consultant.	56
Ralph R. Shaw 1993	Director of the Company since September 1993. Mr. Shaw serves as Chairman of the Company's Compensation Committee and Audit Committee. Mr. Shaw is President of Shaw Management, Inc., a financial services and venture capital firm. Mr. Shaw is also a director of Rentrak Corporation and Tax-Free Trust of Oregon, a series of The Cascades Trust.	67

Jill Schnitzer Edelson and Jean S. Reynolds are first cousins; Scott Lewis is the son of a first cousin of Ms. Edelson and Ms. Reynolds; and Kenneth M. Novack is married to a first cousin of Ms. Edelson and Ms. Reynolds.

Board of Directors Independence, Committees and Nominations

The Board of Directors has determined that Robert Ball, William Furman and Ralph Shaw are “independent directors” as defined in Nasdaq rules, that Judith Johansen and Mark Palmquist will qualify as independent directors upon their election, and has not determined that any other director qualifies as an independent director. Although the Nasdaq rules generally require Nasdaq-listed companies to have a board of directors comprised of a majority of independent directors, a “controlled company” is exempt from this requirement. The Schnitzer family members who are parties to the Schnitzer Trust are a group of shareholders who collectively hold more than 50% of the voting power of the Company and, accordingly, the Company is an exempt controlled company. The Company is actively recruiting an additional independent director and expects to have a majority of its Board be independent directors as defined by Nasdaq rules not later than the end of fiscal 2006. The independent directors hold regularly scheduled meetings at which only independent directors are present.

The Company’s Board of Directors has a Compensation Committee, an Audit Committee, and a Nominating and Corporate Governance Committee, each of which has a written charter adopted by the Board of Directors, copies of which are posted on the Company’s website at www.schnitzersteel.com. Robert Ball, William Furman, and Ralph Shaw, who have all been determined to be independent directors, are the three members of all three of these committees. The Board of Directors has also determined that each of these directors meets all additional independence and financial literacy requirements for Audit Committee membership under Nasdaq rules, and has determined that Mr. Shaw is an “audit committee financial expert” as defined in regulations adopted by the Securities and Exchange Commission. The Company anticipates that any additional independent directors will serve on one or more of the foregoing committees.

The principal functions of the Audit Committee are to oversee the accounting and financial reporting processes of the Company and the audits of its financial statements, to appoint, compensate, retain and oversee the independent auditors, to review and approve all audit and non-audit services performed by the independent auditors, and to discuss the results of the audit with the independent auditors.

The Compensation Committee administers the Company's 1993 Stock Incentive Plan and other compensation programs, and determines the compensation for executive officers of the Company.

The Nominating and Corporate Governance Committee identifies, selects and recommends individuals qualified to become Board members, and develops and recommends corporate governance guidelines. The Nominating and Corporate Governance Committee’s charter provides that for so long as the Schnitzer Trust holds shares with a majority of the votes in the election of directors, the Committee will recommend for nomination as directors four qualified Schnitzer family representatives requested by the trustees of the Schnitzer Trust. Jill Schnitzer Edelson, Scott Lewis, Kenneth M. Novack and Jean S. Reynolds are the Schnitzer family representatives. The Committee will otherwise identify potential director candidates through a variety of means, including recommendations from members of the Committee or the Board, suggestions from Company management, and shareholder recommendations. The Committee also may, in its discretion, engage director search firms to identify candidates. In 2005, the Committee engaged Russell Reynolds Associates to identify and assist in evaluating potential candidates. This assistance included interviewing and performing background checks on identified candidates and then providing the Nominating and Corporate Governance Committee with a list of potential nominees. The search firm recommended a slate of highly qualified candidates, from which the Committee selected Judith A. Johansen and Mark L. Palmquist as nominees. Shareholders may recommend director candidates for consideration by the Nominating and Corporate Governance Committee by submitting a written recommendation to the committee, c/o Richard C. Josephson, Secretary, Schnitzer Steel Industries, Inc., P.O. Box 10047, Portland, Oregon 97296-0047. The recommendation should include the

candidate's name, age, qualifications (including principal occupation and employment history), and written consent to be named as a nominee in the Company's proxy statement and to serve as a director, if elected. In assessing potential candidates, the Committee considers the composition of the Board as a whole and the character, background and professional experience of each potential candidate. In its evaluation of potential candidates, the Committee considers the following factors: qualification as an "independent director;" character, integrity and mature judgment; accomplishments and reputation in the business community; knowledge of the Company's industry or other industries relevant to the Company's business; specific skills such as financial expertise needed by the Board; inquisitive and objective perspective; commitment and ability to devote time and

effort to Board responsibilities; and diversity of viewpoints and experience. In considering recommendations regarding the re-nomination of incumbent directors, the Committee also takes into account the performance of such persons as directors, including the number of meetings attended and the level and quality of participation, as well as the value of continuity and knowledge of the Company gained through Board service. The Nominating and Corporate Governance Committee meets to discuss and consider the qualifications of each potential new director candidate, whether recommended by shareholders or identified by other means, and determines by majority vote whether to recommend such candidate to the Board of Directors. The final decision to either elect a candidate to fill a vacancy between Annual Meetings or include a candidate on the slate of nominees proposed at an Annual Meeting is made by the Board of Directors.

Shareholders desiring to communicate directly with the Board of Directors, or with any individual director, may do so in writing addressed to the intended recipient or recipients, c/o Richard C. Josephson, Secretary, Schnitzer Steel Industries, Inc., P.O. Box 10047, Portland, Oregon 97296-0047. All such communications will be reviewed and forwarded to the designated recipient or recipients in a timely manner.

During fiscal 2005, the Board of Directors held 13 meetings, the Audit Committee held 26 meetings, the Compensation Committee held 10 meetings, and the Nominating and Corporate Governance Committee held five meetings. Each director attended at least 75% of the aggregate number of meetings of the Board and of committees of the Board on which they served. The Company encourages all directors to attend each annual meeting of shareholders, and all directors attended the 2005 Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF THE NOMINEES NAMED IN THIS PROXY STATEMENT.

EXECUTIVE COMPENSATION**Summary Compensation Table**

The following table provides certain summary information concerning compensation paid or accrued by the Company to or on behalf of each person who served as the Company's Chief Executive Officer during fiscal 2005, each other person serving as an executive officer of the Company as of August 31, 2005 whose total salary and bonus exceeded \$100,000 in fiscal 2005, and two former executive officers who were among the most highly compensated executive officers in fiscal 2005 (hereinafter referred to as the Named Executive Officers):

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation Awards Securities Underlying Options ⁽⁴⁾	All Other Compensa- tion ⁽⁵⁾
		Salary	Bonus ⁽³⁾	Other		
John D. Carter ⁽¹⁾ President and Chief Executive Officer	2005 2004 2003	\$143,077			92,000	\$ 4,292
Robert W. Philip ^{(1) (2)} Former Chairman, President and Chief Executive Officer	2005 2004 2003	\$494,846 \$575,000 \$554,808	\$2,644,228 \$1,138,214 \$ 836,219		67,500 195,000	\$ 9,450 \$ 9,225 \$ 9,000
Gary Schnitzer ⁽²⁾ Executive Vice President	2005 2004 2003	\$354,249 \$335,563 \$314,532	\$ 380,365 \$ 323,616 \$ 226,261		25,000 100,650	\$ 9,450 \$ 9,225 \$ 9,003
Jay Robinovitz Vice President	2005 2004 2003	\$245,567 \$219,265 \$176,761	\$ 204,097 \$ 151,292 \$ 83,977		10,000 10,500	\$ 10,254 \$ 9,432 \$ 7,561
Kelly E. Lang Vice President	2005 2004 2003	\$191,902 \$183,100 \$176,395	\$ 180,945 \$ 145,985 \$ 106,436		10,000 10,500	\$ 9,057 \$ 8,575 \$ 8,011
Barry A. Rosen ^{(1) (2)} Former Vice President, Finance and Chief Financial Officer	2005 2004 2003	\$298,809 \$348,468 \$261,572	\$ 579,220 \$ 307,496 \$ 197,314		80,169	\$ 8,800 \$ 9,225 \$ 9,000
Kurt C. Zetsche ⁽¹⁾ Former President, Cascade Steel Rolling Mills, Inc.	2005 2004 2003	\$ 80,105 \$281,150 \$281,663	\$ 419,298 \$ 294,952 \$ 164,792		87,036	\$ 2,117 \$ 20,000 \$ 20,666

- (1) Mr. Carter joined the Company in May 2005 upon Mr. Philip's resignation. Mr. Rosen retired in June 2005 and Mr. Zetsche retired in November 2004.
- (2) The amounts in the table do not include the amounts of salary and bonus separately paid by other Schnitzer family companies to these officers through a reimbursement arrangement under the Shared Services Agreement. In fiscal 2004, Barry Rosen's responsibilities to the other Schnitzer family companies were assumed by a newly appointed chief financial officer of those companies. Thus, in fiscal 2004, Mr. Rosen dedicated more time to the Company and the Company began paying for the portion of his salary previously paid for by the other companies.
- (3) The Company's EVA bonus plan is described under "Report of Compensation Committee on Executive Compensation - Annual Bonuses" below. Actual bonus payouts for fiscal 2005 under the EVA bonus plan are included in the above table. The actual 2005 bonuses for Mr. Philip, Mr. Zetsche and Mr. Rosen include \$1,418,406, \$252,831 and \$299,220, respectively, representing the accumulated balances of their EVA bonus banks, which were paid to them, in accordance with provisions of the Company's EVA bonus plan, as a result of their retirements from the Company in fiscal 2005.
- (4) Options awarded have been adjusted to reflect the two-for-one stock split on August 14, 2003 and the three-for-two stock split on March 25, 2004.
- (5) For fiscal years 2005, 2004, and 2003, All Other Compensation consists entirely of Company contributions to the Company's Salary Deferral Plan.

Stock Option Grants in Last Fiscal Year

The following table provides information regarding stock options for Class A Common Stock granted to the Named Executive Officers in the fiscal year ended August 31, 2005.

Name	INDIVIDUAL GRANTS				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term ⁽²⁾	
	Number of Securities Underlying Options Granted ⁽¹⁾	Percent of Total Options Granted to Employees in Fiscal Year ⁽³⁾	Exercise Price Per Share	Expiration Date	5%	10%
John D. Carter	92,000	33.9%	\$ 25.11	7/6/15	\$1,452,822	\$3,681,736
Robert W. Philip	67,500	24.8%	\$ 28.41	10/18/14	\$1,206,016	\$3,056,280
Gary Schnitzer	25,000	9.2%	\$ 28.41	10/18/14	\$ 446,672	\$1,131,956
Jay Robinovitz	10,000	3.7%	\$ 28.41	10/18/14	\$ 178,669	\$ 452,782
Kelly E. Lang	10,000	3.7%	\$ 28.41	10/18/14	\$ 178,669	\$ 452,782
Barry Rosen	(3)	—	—	—	—	—
Kurt C. Zetsche	(3)	—	—	—	—	—

(1) Each option was granted on the date 10 years prior to the expiration date shown in the table. Options become exercisable for 20% per year over the five-year period starting on June 1, 2004, except for the options granted to

Mr. Carter. Of Mr. Carter's options, 73,500 become exercisable for 20% per year over the five-year period starting on June 1, 2005, and 18,500 become exercisable on May 19, 2006;

- (2) In accordance with rules of the Securities and Exchange Commission, these amounts are the hypothetical gains or "option spreads" that would exist for the respective options based on assumed rates of annual compound stock price appreciation of 5% and 10% from the date the options were granted over the full option term;
- (3) Mr. Zetsche retired from the Company in November 2004 and Mr. Rosen retired in June 2005. No options were granted to these Named Executive Officers in October 2004 given their impending retirement.

Equity Compensation Plan Information

The following table provides information as of August 31, 2005 regarding equity compensation plans approved by the shareholders and equity compensation plans that were not approved by the shareholders.

<u>Plan category</u>	(a) Number of securities to be issued upon exercise of outstanding options, <u>warrants and rights</u>	(b) Weighted average exercise price of outstanding options, <u>warrants and rights</u>	(c) Number of securities remaining available for future issuance (excluding securities <u>reflected in column</u> <u>(a)</u>)
Equity compensation plans approved by security holders ⁽¹⁾	1,016,671	\$12.58	3,077,891
Equity compensation plans not approved by security holders	—	—	—
Total	1,016,671	\$12.58	3,077,891

⁽¹⁾Consists entirely of shares of Class A Common Stock authorized for issuance under the Company's 1993 Stock Incentive Plan.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table provides certain information concerning exercises of stock options during the fiscal year ended August 31, 2005 by each of the Named Executive Officers as well as the number and value of unexercised options held by such persons at August 31, 2005.

<u>Name</u>	<u>Shares Acquired on Exercise</u>	<u>Value Realized</u>	<u>Number of Unexercised Options at Fiscal Year-End</u>		<u>Value of Unexercised in the Money Options at Fiscal Year-End ⁽¹⁾</u>	
			<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
John D. Carter	—	—	—	92,000	—	\$ 321,180
Robert W. Philip	50,000	\$1,477,334	252,477	—	\$5,472,131	—
Gary Schnitzer	14,172	\$ 368,235	19,074	85,390	\$ 412,812	\$1,265,863
Jay Robinovitz	—	—	9,525	23,950	\$ 204,915	\$ 272,370
Kelly E. Lang	—	—	14,525	23,950	\$ 305,285	\$ 272,370

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Barry A. Rosen ⁽²⁾	20,000	\$ 593,403	94,709	—	\$2,039,750	--
Kurt C. Zetsche	12,255	\$ 278,373	—	—	—	—

⁽¹⁾ Aggregate value of shares covered by in the money options at August 31, 2005, less the aggregate exercise price of such options.

⁽²⁾ Mr. Rosen transferred certain options to his former spouse during the year ended August 31, 2003. The information shown in this table for Mr. Rosen includes the following related to the former spouse: 19,630 exercisable but unexercised options at fiscal year-end and \$439,013 in value of unexercised in the money exercisable options at fiscal year-end.

Defined Benefit Retirement Plans

Pension Retirement Plan. The Company's Pension Retirement Plan (the Plan) is a defined benefit plan qualified under Section 401(a) of the Internal Revenue Code of 1986 (the Code). Certain non-union employees of the Company and other Schnitzer family companies are eligible to participate in the Plan after meeting certain service requirements. Generally, pension benefits become fully vested after five years of service and are paid in monthly installments beginning when the employee retires at age 65. Annual benefits equal 2% of qualifying compensation for each Plan year of service after August 31, 1986. Upon their retirement, assuming retirement at age 60 (except age 65 for Gary Schnitzer) and no increase in annual compensation from current levels, John Carter, Gary Schnitzer, Jay Robinovitz, and Kelly E. Lang would receive annual benefits for life of \$24,000, \$71,000, \$64,000, and \$66,000, respectively. Robert W. Philip and Barry A. Rosen, both of whom retired from the Company in fiscal 2005, will receive annual benefits for life of \$57,000 and \$59,000, respectively.

Supplemental Executive Retirement Bonus Plan. The Supplemental Executive Retirement Bonus Plan (the Supplemental Plan) was adopted to provide a competitive level of retirement income for key executives selected by the Board of Directors. The Supplemental Plan establishes an annual target benefit for each participant based on continuous years of service (up to a maximum of 25 years) and the average of the participant's five highest consecutive calendar years of compensation, with certain limitations on bonuses to be included, with the target benefit subject to an inflation-adjusted limit equal to \$223,026 in 2005. The target benefit is reduced by 100% of primary social security benefits and the Company-paid portion of all benefits payable under the Company's qualified retirement plans to determine the actual benefit payable under the Supplemental Plan. The actual benefit shall be paid as a straight life annuity or in other actuarially equivalent forms. Benefits are payable under the plan only to participants who terminate employment after age 55 with 10 credited years of service or after age 60. The following table shows the estimated annual target benefits under the Supplemental Plan, before the reductions based on social security and Company-paid retirement benefits, for executives who retire at age 60 (the normal retirement age under the Supplemental Plan) with various levels of pay and service, based on the 2005 value for the inflation-adjusted cap.

Highest Consecutive Five-Year

Average Qualifying

Compensation

Credited Years of Service⁽¹⁾

	10	15	20	25
\$200,000	\$52,000	\$ 78,000	\$104,000	\$130,000
\$250,000	\$65,000	\$ 97,500	\$130,000	\$162,500
\$300,000	\$78,000	\$117,000	\$156,000	\$195,000
\$350,000	\$89,210	\$133,816	\$178,421	\$223,026